WATES GROUP LIMITED

Wates

ANNUAL REPORTS & ACCOUNTS 2022

WATES.CO.UK

2022 A YEAR IN FOCUS

£8.35bn
FORWARD ORDER BOOK (UP 16.9%)

£1.89bn
TURNOVER* (UP 16.5%)

GROUP FINANCIALS

£33.7m
PROFIT**

£153m
NET CASH***

£313m
TOTAL TAX CONTRIBUTION

£2.8bn
WORK WON

* Group turnover including the Group's share of joint ventures' and associates' turnover.

** Profit before tax and before tax of joint ventures and associates.

*** Cash balance excluding cash held in joint ventures and restricted cash, net of bank loans and overdrafts.

BUILDINGS

4,626
NEW HOMES BEING BUILT

500,000
SOCIAL HOUSING PROPERTIES MANAGED AND MAINTAINED

683
SITES UNDER CONSTRUCTION

701
COMMERCIAL BUILDINGS WHERE WE MANAGE FACILITIES

SUSTAINABILITY

87%
OF ELECTRICITY PURCHASED FROM RENEWABLE SOURCES

PEOPLE

4,021
EMPLOYEES (AVERAGE IN 2022)

£163m
SOCIAL VALUE GENERATED

£7m
SPEND WITH SOCIAL ENTERPRISES

HEALTH AND SAFETY

0.04
ACCIDENT FREQUENCY RATE (AFR)
DOWN 71% OVER SIX YEARS

AFR – number of RIDDOR reportable injuries / number of hours worked x 100,000

LOST TIME INJURY RATE
DOWN **77%** IN SIX YEARS

LTIR includes all injuries, including RIDDORs that result in more than one day away from work, not including the day of the incident, ie number of Lost Time Injuries / number of hours worked x 100,000.

HEALTH AND SAFETY PERFORMANCE
ACCIDENT INCIDENT RATE
63% BELOW INDUSTRY AVERAGE

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CHAIRMAN'S STATEMENT

SIR JAMES WATES CBE
CHAIRMAN

I am pleased to report that 2022 was another strong performance for the Wates Group, reflecting positively on our strategy, leadership, workforce, client and supply chain relationships.

In this, our 125th anniversary as a business, there was much to celebrate in our rich history. Through two world wars, various economic crises and most recently a major pandemic, we have adapted our business to take advantage of evolving market conditions, but what has remained constant is our family business ethos valuing entrepreneurship and the belief that business done well is a force for good in society.

2022 tested our resilience in various ways. As the UK emerged from two years of disruption from the COVID-19 pandemic, the Russian invasion of Ukraine stirred yet more headwinds for society, the public and the business community, resulting in supply chain disruptions and global inflationary pressures. These conditions have had significant impacts on the construction sector, but I'm pleased that we have managed risks well, in part because of our strong relationships with clients and the supply chain.

> **"THE WATES GROUP HAS MANAGED RISKS WELL, IN PART BECAUSE OF OUR STRONG RELATIONSHIPS WITH CLIENTS AND THE SUPPLY CHAIN."**

The record-setting summer heat reminded us that climate change is here, and that the construction sector has an important part to play in helping the UK move towards becoming a net zero carbon economy. The built environment is responsible for 25% of all the UK's carbon emissions and as such the sector's engagement is essential. The Group remains committed to our sector-leading targets in moving towards being a net zero operator, as well as to playing our role in upgrading the energy efficiency of the existing built environment.

Government targets demand all social housing properties have Energy Performance Certificate (EPC) bands of at least C by 2030, and with around 28 million housing units needing to be upgraded, there are significant opportunities for Wates. Our housing maintenance business has already been upgrading ageing stock for social housing clients, and our launch of Wates Retrofit in 2022 signalled our intent to achieve greater scale in reducing the carbon footprint of the UK's built environment.

We are playing an important role in creating the infrastructure for a zero-carbon economy, for example through our work with Envision AESC to construct a new gigafactory in Sunderland. The massive facility will support over 1,000 hi-tech jobs and contribute to a six-fold increase in UK electric vehicle battery production in the UK.

Our commitment to playing an active role in building a more sustainable planet was recognised by our receiving the Queen's Award for Enterprise in the Sustainable Development category. Having previously won the award in 2011 and 2016, Wates is now the only company in our sector to have won that award three times. We were also recognised by PWC in its Building Public Trust Awards, receiving the award for 'Reporting for Private Business', given to the private organisation which was best able to demonstrate how it communicates its impact and performance to its stakeholders.

Meanwhile, our commitment to being a good corporate citizen is reflected in the emphasis we put on our responsibilities to paying tax in the UK. I'm pleased to report that in 2022 the Wates Group paid more than £39 million in taxes, including corporation tax, employment taxes, irrecoverable VAT, and other taxes. When combined with taxes we collect on HM Government's behalf such as VAT payments and employees' income tax, our activities generated revenue of £313 million for the Treasury. Notably, 2022 included changes in our Wates Group governance. In July, David Allen departed as Chief Executive, being replaced by Philip Wainwright as Interim Chief Executive while we recruited a new permanent successor. Eoghan O'Lionaird has since joined us as Chief Executive.

In 2022, we announced a new profit-share scheme, with employees' rewards being aligned to successful performance of the individual business units in which they work.

THE QUEEN'S AWARDS FOR ENTERPRISE: SUSTAINABLE DEVELOPMENT 2022

> **"WATES IS NOW THE ONLY COMPANY IN OUR SECTOR TO HAVE WON THAT AWARD THREE TIMES"**

I would like to take this opportunity to thank the whole of the Board, Executive Committee and all employees across the Wates Group for their hard work and dedication throughout a challenging year.

As we announced earlier this year, Tim Wates will succeed me as Chairman following our AGM in May. I have enjoyed my ten years as Chairman enormously, and the time now is right to pass the baton to Tim, who has recently served as Deputy Chairman and has been Chairman of the Wates Family Council since 2011. Succession planning is key to achieving a long-term legacy in any business, but I would say more so in a family business through enabling mentoring of family members to ensure smooth handovers. We at Wates have proudly, throughout our 125-year history, actively engaged in this process to ensure success. Congratulations and best wishes to Tim as he takes on the Chairmanship in what will be an exciting year for the business. Alongside the many thanks I would like to extend, a special thank you goes to our supply chain and customers as well as to our shareholders, the Board and the non-executive directors who have supported me these last 10 years.

James Wates

SIR JAMES WATES CBE
CHAIRMAN

FOREWORD
FROM THE CHIEF EXECUTIVE

EOGHAN O'LIONAIRD
CHIEF EXECUTIVE, MARCH 2023

The performance outlined in these accounts and reports testifies to Wates' continued strength and resilience in the face of unprecedented global shocks. I congratulate the Board, the Executive Committee and our colleagues for these impressive results, and I'd particularly like to thank our CFO, Philip Wainwright, who was interim Chief Executive for the second half of 2022, and who has ensured a seamless transition of leadership.

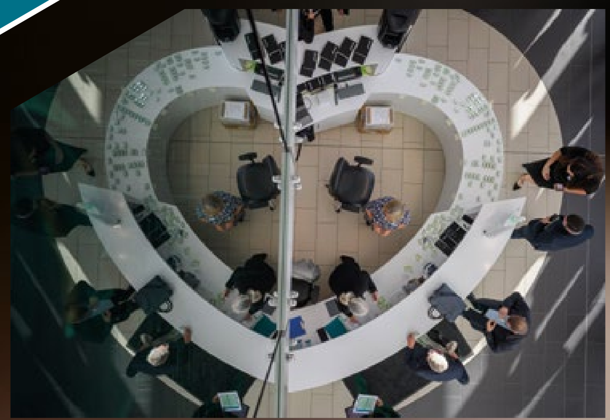
While financial performance, particularly in these challenging times, should always be a key concern of any business leader, the best businesses are able to focus as much on 'purpose' – on what we stand for. At Wates, it's apparent that our purpose is driven from the very top down and that our people are drawn to contributing to something which is greater than themselves, just as we all want to be valued members of a winning team on a worthwhile mission.

The focus on purpose and on creating sustainable value for all our stakeholders has not only made Wates a great company, but one of only 3% of family businesses which survive beyond three generations. Last year we celebrated our 125th anniversary, and we have younger family members from the fifth generation now working among our ranks, a demonstration of our intrinsically sustainable business model.

I look forward to working together with the family, the Board, my fellow executive team members and our thousands of colleagues as we continue this great success story.

> **"I LOOK FORWARD TO WORKING TOGETHER WITH THE FAMILY, THE BOARD, MY FELLOW EXECUTIVE TEAM MEMBERS AND OUR THOUSANDS OF COLLEAGUES AS WE CONTINUE THIS GREAT SUCCESS STORY"**

INTERIM CHIEF EXECUTIVE'S REVIEW



PHILIP WAINWRIGHT
CHIEF FINANCIAL OFFICER, MARCH 2023

I assumed the role of Interim Chief Executive of the Wates Group in summer 2022 following the departure of David Allen.

I would like to recognise David's achievements and also thank the business, the shareholders and our colleagues for their unstinting support to me during this period. I am now delighted to welcome Eoghan O'Lionaird as he takes up the Chief Executive role from February 2023 and joins us at this exciting time.

This report reflects a story of growth in 2022 and we are set to grow in 2023 and beyond, whether that be work on new buildings (through our developments, house building and construction activities) or within existing buildings (through our social housing, facilities management and property maintenance activities). Opportunity exists across the entirety of the UK's built environment where our services and solutions supply sustainable, compliant, low carbon buildings alongside a socially responsible purpose, responding to the needs of the society that we serve.

> **"2022 SAW US CONTINUE OUR UPWARD TRAJECTORY ON TURNOVER, REACHING £1.89BN – THE HIGHEST IN OUR HISTORY."**

Strong financial results

We navigated 2022 well with high profitability of £33.7m profit before tax, net cash of £153m, financial resilience and a record forward order book of £8.35bn. This represents strong performance in the context of the challenging economic environment with all of our major divisions contributing strongly to profitability, a consistency borne out of our shared commitments. It also builds upon the profits we delivered in every year through COVID and the outstanding financial results in 2021.

2022 saw us continue our upward trajectory on turnover, reaching £1.89bn – the highest in our history. While an untrammelled race for turnover has never been our intention, this high figure reflects the scale of our ambition, of our proven capacity to manage projects of strategic national significance, and of our customers' confidence in our ability to do so, particularly in the public sector.

Ongoing financial resilience was also maintained within these strong underlying results; an order book which increased £1.2bn during the year; an undrawn £90m bank facility; access to significant investments on the balance sheet and a strong cash balance. The underlying tangible net worth of our business, excluding intangible assets, is well in excess of most of our peers, and this allowed us to increase the investments within our business.

Navigating headwinds in 2022

Despite the strong end to 2021, the start of 2022 brought major headwinds which were to impact our performance and inevitably reduce profit – notably high inflation of well over 10% and interest rates which more than doubled. Both of these impacted our customers' budgets, the affordability of housing for end consumers and also the viabilities of development projects for clients. There were also material supply side issues and on-going labour shortages for us and our supply chain, exacerbated by the war in Ukraine; the impact of new government regulations; and additional costs associated with the implementation of measures outlined in the Building Safety Act. Another challenge we all faced was the threat to cyber security, one we continue to take extremely seriously. Our IT team maintained strong cyber security throughout the year, protecting the integrity of our core systems, alongside Cyber Essentials Plus accreditation.

All these challenges were more than balanced by our great performance and efficiency, driven by our customers' and society's need to continue to invest to improve the quality, volume and availability of both public service and private sector buildings, not least within our UK housing supply.

"THESE CHALLENGES WERE MORE THAN BALANCED BY OUR GREAT PERFORMANCE AND EFFICIENCY"

Priorities for performance

The 'performance wheel' we introduced in 2021 helped us focus on the key priorities of safety, sustainability, quality, inclusion and diversity and profit, and this was expanded in 2022 to reflect commitments both to innovation, and to our customers – ensuring their needs remain at the heart of our focus and endeavours. These new Performance Priorities are explored in more depth throughout this report.

The priorities of operating safely, of working towards achieving a more inclusive and diverse workforce, and of working sustainably while minimising our impact on the environment, remained uppermost in our minds. We hold one of the best safety records of any of our peer group with colleagues working on average over 25 working lifetimes before sustaining a reportable incident – we recorded the lowest number of injuries since the launch of our Zero Harm campaign six years ago, and the seventh consecutive year of outperforming the industry average of accidents.

Our work was recognised with a raft of awards, notably a place among The Times Top 50 Employers for Women, as well as the prize for excellence in diversity and inclusion in the Construction News Awards. Both awards recognised how we are changing our culture from within.

During the year we were granted the Queen's Award for Enterprise, Sustainable Development, for the third time in succession – the only organisation in our sector to achieve this accolade. We were also rewarded for our efforts to reduce carbon, with the Wates Innovation Network (WIN) named campaign of the year at the Energy Saving Awards. Through WIN we've been promoting suppliers of sustainable technology, using their products to reduce our own carbon footprint in our premises, while providing them with access to valuable markets through our customers. Earlier in the year we secured a £90m sustainability-linked loan from a three-bank syndicate which is currently undrawn, linked to the pursuit of three sustainability metrics.

"WE RECORDED THE LOWEST NUMBER OF INJURIES SINCE THE LAUNCH OF OUR ZERO HARM CAMPAIGN SIX YEARS AGO"

Driven by developments

The year has been particularly successful for our development businesses which grew their invested capital and also delivered significant profits for the Group. We sold 328 private homes in joint ventures and achieved completion on a number of residential land deals, including a number of valuable sales in the latter months of the year when national housebuilders had already announced a slowdown in land purchasing. The division's pipeline and impressive record on achieving planning consents will result in future in around 15,800 new homes in sought-after, prime locations across the South of England. Our recently established Partnerships business announced a major collaboration during the year with Aldershot Town Football Club, resulting in the construction of a new stand for the club as well as 136 new homes. After two COVID-impacted years of reduced occupancy levels and reduced commercial yields at our managed workspace business, Needspace, we are beginning to return to pre-pandemic levels, with future investment in our premises on the way, as we respond to customers' evolving expectations of the workplace.

Levelling up with landmark construction projects

The ambition outlined in the Government's Levelling Up White Paper to promote more equitable growth across the country is something we support, and our work is already helping to deliver in this area. Some of our largest construction projects are located outside of London and the Southeast, and we are actively investing in the local economies where we operate – backing local suppliers and helping people to develop new skills. Our work is driving growth and delivering value for both our customers and the communities we operate in. We also delivered and improved life-enhancing shelter, alongside an increase in our generation of social value in 2022, where we spent £7m with social enterprises, bringing our total spend with the sector to £35m over the last six years.

Our construction and property services businesses are at the vanguard of our response to levelling up, and during the year we further strengthened our relationships with government and private customers alike. We secured places on major procurement frameworks which will see us improving housing stock, building primary healthcare facilities for the Department of Health, as well as new houseblock facilities across six prisons for the Ministry of Justice. We also completed the first of six net zero schools for the Department for Education, a significant milestone for one of our longest-standing public sector customers.

Our Midlands-based team completed the Sandwell Aquatics Centre, the only purpose-built venue for the Commonwealth Games, successfully hosted by Birmingham during the summer. This world-class swimming and diving venue was completed in the midst of a pandemic, on budget and ahead of schedule. Working in lock step with Sandwell Council, we have created a fantastic global sporting venue and left a valuable sporting legacy for one of the country's most deprived communities.

The year also saw the start of the largest single contract in our history, the c£500m gigafactory project we are building for Envision AESC in Sunderland to provide electric car batteries for Nissan and others. This project will lead to the creation of around 4,500 jobs in the Northeast. Through our fit-out and refurbishment business we are also playing a key role in fitting out new offices for HM Treasury and His Majesty's Revenue and Customs in Darlington and Leeds – projects that will move civil servants away from London and into the regions.

A residential partner with society

Our residential business focuses on regeneration and contracting relationships with local authorities and housing associations. It established a burgeoning reputation in 2022 as a leader in creating sustainable and low energy homes, collecting the prestigious RESI award (Climate Change initiative) in 2022 for the Eastern High/Aspen Grove development for Cardiff Council, as well as the Silver Award, Best Sustainable Development, for the same project at the WhatHouse? Awards. Along with our expertise in building low energy and Passivhaus homes, we also deliver modular housing. In Crofts Street, Cardiff, residents collected their keys and were ready to move in just over two months with units craned into position in a small plot of formerly derelict land. Using the latest technology and materials we have created net-zero carbon buildings 90% more energy efficient than standard homes built to current Building Regulations, emitting far less carbon than standard homes and contributing to driving down residents' energy bills.

We also completed the first homes to be delivered through our landmark partnership with Havering Council, at New Green in Rainham. When this began in 2018, it was the first, and by far the most ambitious housing development we had embarked on since the 1960s; a 12-year, £1bn programme to regenerate 12 council estates, providing 3,500 new homes. New Green will provide 197 homes for local people, ready for occupation by the start of 2023. The change we have seen here is truly transformational, and we are very aware and truly proud of the part we play in creating, desirable and sustainable communities.

In total, across all our divisions, we were responsible for the completion of 1,304 homes during 2022, a company record, of which we sold 578 as developer.

The challenge of zero carbon

Many of our discussions over the year have been focused on how we must do more to respond to the challenge of climate change and play our part in helping the UK meet its net zero ambitions. Our sector is responsible for 25% of all UK greenhouse gas emissions. The UK government has committed to net zero carbon by 2050 and legislation is now driving the impetus to decarbonise both domestic and commercial real estate; while 80% of the buildings which will be standing in 2050 have already been built. The opportunities this brings are enormous and we will increasingly build and direct our services to respond to this end within each of our individual businesses as we believe we must be leaders to effect change in our own sectors.

Our new environmental sustainability plan reflects our growing understanding and appreciation of the steps needed and commits us to a number of revised targets referenced later in this report, chief of these being our commitment to being net zero by 2045.

There has been much to be proud of in 2022. Alongside our work building net zero schools and low energy homes, we have seen growth at our offsite manufacturing facility in Coventry – now a key component of our unique Integrated Construction Services offering to our customers.

“THERE HAS BEEN MUCH TO BE PROUD OF IN 2022.”

As well as improving our own delivery, we are also working with our customers to help them address their own environmental targets. Nowhere is this more acute than in social housing, where our local authority partners must meet government regulations to improve the energy performance rating of their properties by 2030. This is a mammoth task, and one which we are well-placed to support. In June we launched our Group-wide zero carbon offer Wates Retrofit, to help both our domestic and non-domestic customers with their carbon reduction strategies. During the year our Property Services business undertook whole house retrofits at 857 homes, working with 13 local authorities and housing associations alongside maintaining over 500,000 properties. This is an area of our work which is set to grow significantly and the recent announcement of the next wave of government funding via the Social Housing Decarbonisation Fund will see us add to that.

In the longer term, the government's capital and maintenance plans are important and we will be encouraging stable, consistent government policy and a long-term capital programme to allow the industry and our built environment to plan and flourish.

“THE RANGE OF SERVICES WE NOW OFFER TO OUR CUSTOMERS DEMONSTRATES OUR SHIFT TOWARDS THAT OF A SUSTAINABLE SERVICES PROVIDER”

Building safety, new challenge and a continuing legacy

There must never be another Grenfell. In October we were honoured to host Dame Judith Hackitt, Chair of the Independent Review of Building Regulations and Fire Safety, as keynote speaker at our Group supplier conference. Her response to participants voicing concerns about the difficulties of implementing retrospective and prospective measures in the Building Safety Act was uncompromising: the time for change was long overdue. Our sympathy is with this view and those the Act seeks to protect – the people who live in the buildings we are involved with.

As an organisation which has always put safety at the top of our priorities, and to providing the best for our customers, this is a message we are taking extremely seriously, and we have been reviewing our policies and procedures in line with any changes required by the Act and ahead of secondary legislation being published.

At the same time, we have been working hard to prepare our people for what's required under the Act and equipping them with the right tools and training they need. We're also working closely with our supply chain to share best practice. This focus on quality and safety will continue throughout 2023.

Fundamentally, we see the Act as an opportunity for Wates to lead and grow business. This is already evident from the growing demand for fire safety work from local authority and housing association partners, resulting in our Property Services division working on over 200 high rise blocks nationwide since 2019.

Reflections on success

The Wates family have always been represented on the Board and involved in the day-to-day operations of the business. The family has provided unstinting support and guidance to the executive, particularly through the last 10 years of Chairmanship from Sir James which is now being passed on to Tim Wates.

Our governance framework provides a stable platform for growth and feeds down into the professionalism and achievements of our business towards all our stakeholders and in the way we report. So, we were thrilled to win the prestigious Reporting in Private Business PWC Building Trust Award for last year's Annual Report.

Our people underpin our performance, and we have all been a part of society's recent COVID and cost of living challenges – so a special call out and thank you to my colleagues for their efforts. We have maintained our focus on investing in their development (recognised by the award of Investors In People Gold award for the third successive time). Proficiency, effort and achievement have been reflected in the average 2022 payroll costs for our 4,021 staff – most working on sites – rising by 7% to over £76,500.

2022 was a landmark year for us, with the 125th anniversary of the business providing us with a great opportunity to reflect on our history of success. It also gave us the chance to take stock and assess what we might look like into the next 125 years. The long-held perception of Wates as principally a building contractor is no longer one which is wholly accurate, and the range of services we now offer to our customers demonstrates our shift towards that of a sustainable services provider, one which can develop, build upon and maintain the built environment in equal measure.

Eoghan O'Lionaird's recent appointment as Chief Executive, together with a new Chairman in Tim Wates later this year, will provide further impetus for our evolution, and I am looking forward to working with them both as I resume my role as the Group's Chief Financial Officer.

PHILIP WAINWRIGHT
CHIEF FINANCIAL OFFICER,
MARCH 2023

OUR 125TH ANNIVERSARY YEAR

The milestone of our 125th anniversary year gave us the opportunity to reflect on the roots of our success: our robustness and long-term stability; our ability to evolve and look to the future; our continued commitment to investing in our communities, and our success at working with myriad different stakeholders.

In spite of the many economic and geopolitical challenges we have faced across the decades, we are positioned for a bright future. All this was recognised with a series of special events throughout the year, giving our colleagues, customers, and suppliers the opportunity to reflect and celebrate with us.

> **"FOR MANY IT WAS THE FIRST OPPORTUNITY TO MEET IN PERSON AFTER TWO YEARS OF A PANDEMIC"**

Brand new

One of the most visible signs of our anniversary was a new 125th anniversary version of our company logo which was included across all our branded communications during 2022. Colleagues in our design teams contributed ideas for the logo design, with the chosen option, incorporating a leaf motif, reflecting the themes of growth, sustainability, and the Wates family tree.

Sharing with our people

All colleagues were granted an additional day of leave to allow them to take holiday on their birthday.

The anniversary also provided the opportunity for us to promote our industry to a more diverse range of people, with the launch of a new programme to bring 125 more women into Wates by 2025, accelerating our ambitions to improve gender balance. Joining forces with Women into Construction, STEM Returners and Young Women's Trust, we continued to provide training and employment opportunities for women at all stages of their career, welcoming our first cohort of entrants in July.

A family celebration

Another well-received initiative was the publication of a commemorative book, produced by the Wates Family and charting the history of Wates from 1897 to the present day. Individual copies were sent to every colleague throughout the Group. The anniversary was also marked by press coverage in many of our key trade titles.

Including our suppliers

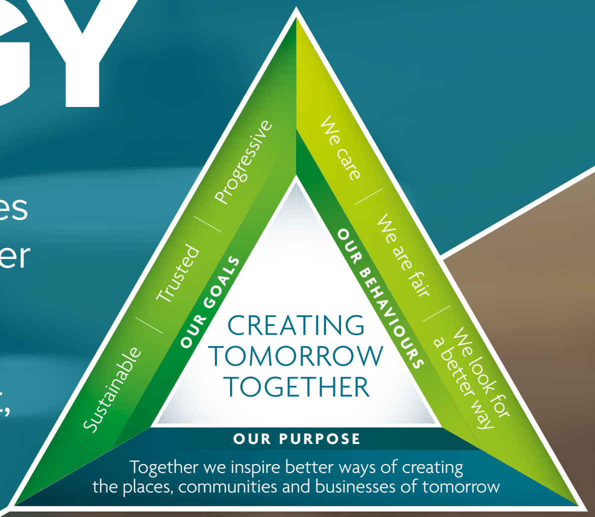
The year wouldn't have been complete without recognition of the enormous contribution made by our loyal supply chain to our success, so we were excited to host them in person, for the first time since the pandemic, at the 125th anniversary supplier conference. The event, held at the Manufacturing Technology Centre in Coventry – a building we completed in 2011 – was an opportunity for us to discuss key shared challenges and issues, particularly building sustainably and the challenge of net zero; improving diversity and inclusion in the workforce and how the industry should respond to the Building Safety Act. We were honoured to be joined by Dame Judith Hackitt, Chair of the Independent Review of Building Regulations and Fire Safety, as our guest speaker.

Celebrating with our customers

Hundreds of customers and influential stakeholders joined three generations of the Wates Family and our senior management team at a stunning gala event in central London. For many it was the first opportunity to meet in person after two years of a pandemic and was the highlight of our annual events calendar.

STRATEGY

Our company founders established Wates 125 years ago as a housebuilder, and over the subsequent generations, we have increased the scale of our ambition, to cover the whole of the built environment, while being a force for good in society.



Today, the ambition is articulated through our **Guiding Framework** (pictured above): a set of principles and priorities that, taken together, describe who we are as a business and what we hope to achieve.

The five key performance priorities introduced in 2021 originally formed our Performance Wheel; these priorities describe the areas that we have decided to focus on to improve our performance and achieve the goals set out in the Guiding Framework.

In 2022, we updated and amended these priorities to reflect our renewed focus on innovation and to make sure that we were explicit in emphasising that how we serve our customers is the glue that binds all these priorities together.

The priorities we have now identified are safety; quality; inclusion and diversity; sustainability; innovation, which together, combine to help deliver profit. Binding all these priorities together is the customer, acknowledging that all our efforts must be focused on their requirements.

Each of these priorities has defined targets, which all business units in the Group are expected to work towards. And, while we believe that all six are important, they are also inter-linked and inter-dependent, helping us achieve our collective aims as a business.

“BINDING ALL THESE PRIORITIES TOGETHER IS THE CUSTOMER, ACKNOWLEDGING THAT ALL OUR EFFORTS MUST BE FOCUSED ON THEIR REQUIREMENTS.”

The performance priorities are expressed as the following icons throughout the report:

safety | quality | inclusion and diversity | sustainability | innovation | profit

SAFETY

Wates has continued to implement our Zero Harm: We're Safer Together strategy, which has produced better results every year since it was first introduced in 2016. The strategy is aimed at eliminating physical and psychological harm entirely from all our workplaces. In 2022, we led the industry across all key health and safety metrics, while continuing to search for new ways to make us even safer still.

INNOVATION

In 2022, we decided to add innovation to our suite of performance priorities. This was because any business that wants to accelerate growth needs to develop and embrace the best new ideas that generate value for its customers. Wates is no different, and so it is our commitment in 2023 and beyond to make innovation a central feature of our customer offering. Recent investments in our expanded offsite manufacturing facility in Coventry and the launch of a new technical excellence centre point to our continued commitment to innovation.

PROFIT

We put profit at the centre of our performance priorities because it is both an enabler of performance improvement through investment and an outcome in and of itself. We are committed to progressive earnings growth and to partnering with customers to deliver products and services that offer them the best possible value for money.

SUSTAINABILITY

Sustainability must be at the heart of everything we do, both for ourselves and our customers. We are already far along in our work to eliminate Scope 1 and 2 carbon and waste from our business operations and to become 'net nature positive'. We are also collaborating with customers and suppliers to achieve reductions in Scope 3 emissions in response to rapidly developing customer demands as the net zero agenda becomes ever more important.

QUALITY

We are absolutely committed to eliminating the practical and economic impacts of any quality failures from each of our businesses, while also achieving full compliance with all relevant regulatory and legislative standards.

The passing of the Building Safety Act has shown how imperative it is for all built-environment businesses to be adaptable when it comes to ensuring the high quality of their work. We are proud to have demonstrated our commitment to quality across the industry through our role in helping draft the government's *Construction Playbook* best practice guide in 2022.

INCLUSION AND DIVERSITY

Our ambition is to become a measurably more diverse business and to be recognised as a leading light when it comes to fostering and promoting inclusion and diversity both in our own business and in the wider industry. We will continue to strive to close our gender pay gap and to create a transparent and fair culture across all aspects of our business.

Other work we are focusing on in the coming years is to develop a more inclusive culture by establishing clear, non-negotiable expectations about colleagues' behaviour and language. We have developed award-winning inclusivity programmes to help change our culture, and we are always looking to expand that work further.

INNOVATION

Innovation is at the heart of everything we do in every one of our businesses and is central to achieving each one of our Group-wide goals.

As a business, we know that safety; quality; inclusion and diversity; sustainability; profit and the overall customer journey can all be improved by making sure that innovative thinking is front and centre throughout. The Group therefore encourages all parts of the business to develop innovative solutions to help us and our customers adapt to a rapidly changing world.

The innovations outlined here are grouped into three inter-related streams: how we work as a business; how we design and build better projects; and how we help create a better world through developing low-carbon solutions for existing assets.

> **"INNOVATIVE THINKING IS FRONT AND CENTRE"**

Improving how we work

With the COVID-19 pandemic having transformed the way businesses think about work, we have used technology and data gathering to develop a solution that is right for both the business and our own workforce.

In response to new working practices, we have built the Wates 'digital workplace', with the aim of driving efficiency across all business units.

By enhancing the technology that we use to work collaboratively, we are successfully adapting to a hybrid working model. This enables our staff to stay connected across all sites and office locations.

Key site operational processes have been digitised and are delivered utilising our native 'field tool' technology. The digitised approach allows workers to track operational progress, health and safety performance and share information more effectively across sites and teams.

We have also invested significantly in developing our in-house data team to ensure we can utilise key information across the business, helping us make more informed decisions. With our data platform technology, we have enhanced our ability to solve business problems and provide better insight to senior management.

We are innovating in terms of how we work in partnership with others to deliver better solutions for customers. In the justice sector, we are working with three peer companies on an innovative 'Alliance contract' to deliver a New Prisons Programme. This will result in modern buildings which provide the best environment for governors and prison staff to achieve better educational, training and rehabilitation outcomes. The alliance helps us to collaborate to realise pricing, programme, quality and social value benefits by using a repeatable DfMA (Design for Manufacture and Assembly) design philosophy and a common supply-chain to drive efficiencies across multiple sites.

Building better

Innovation in construction has been part of the Wates identity throughout our history. Today, that means developing more and better offsite and modern methods of construction (MMC) solutions to help deliver efficiency and sustainability for our customers.

In 2022, we launched our Technical Excellence Centre, which connects over 75 technical experts from across the business to improve building performance and optimise construction techniques.

Allied to this has been the establishment of an optimised construction steering group to develop and drive a new optimised construction strategy, focused on promoting MMC integration with our supply chain partners.

In education, our unique component-based design solution Adapt 3.0, enables us to use standardisation and offsite manufacturing to build schools safely and more rapidly while delivering the best possible value for money, all while complying with customers' exacting requirements.

Most recently, through further R&D and investment, we launched Adapt-Zero to deliver net zero Carbon in Operation schools (NZCiO). This has been used to successfully deliver the first round of net-zero carbon in operation schools in the North West under the DfE's £10bn Schools Rebuilding Programme

Meanwhile, Prism, our MMC facility in Coventry, has been growing, producing c.3,000 offsite modules in 2022 and removing almost 200,000 hours from site activities. We are now beginning to start work on 'Super Prism' projects, where MEP solutions, architecture and structural engineering are integrated within a factory environment.

Delivering net zero

The final stream of our innovation framework is focused on helping customers and partners cut carbon emissions by better looking after their existing assets.

By using our Wates Innovation Network (WIN) portal, our customers can access a wide range of innovative solutions and sustainable technologies to meet their specific net zero and sustainability challenges. Throughout the year, more and more customers were making use of our range of innovation partners as the pressure to deliver net zero strategies grew.

One customer, Lloyds Banking Group, initially approached us with the challenge to find new solutions to help it reach net zero across its vast and complex estate. Lloyds ultimately selected 20 solutions through the WIN portal, with nine then trialled and monitored in their buildings.

In addition, improved data use is also at the heart of the way we are developing retrofit decarbonisation solutions for our public sector partners in the education and healthcare sectors.

In education, we are undertaking research on behalf of the Department for Education (DfE), using one of our own school building projects to compare energy consumption and carbon emissions between new and existing buildings on the site. This research could potentially be used by the DfE to better understand which of the 24,000 buildings that make up the UK's school estate would most benefit from retrofitting upgrades.

In healthcare, we are leading the Decarbonising Healthcare Estates Partnership, which is using data to establish which primary care facilities can be retrofitted to lower energy consumption. This is particularly important work for the NHS, which faces a maintenance backlog of more than £10.2bn and a carbon footprint greater than that of Croatia.

PEOPLE

The Wates team has risen to the unique challenges of 2022 with its customary enthusiasm and dedication to teamwork.

The exceptional demands of the last three years have served to highlight the resilience, adaptability and ingenuity of our workforce and the whole business. The uncertain economic climate and the rising cost of living we faced in 2022 has impacted our people as it has everyone, but that has not shaken their collective commitment to our strategic priorities.

We have continued to invest in the professional and personal development of our workforce, while creating an environment where every employee can be the best version of themselves. The challenges of recent years have led to an increased focus on wellbeing, with new products and services being rolled out to support our people and their families.

Training and development, inclusion and diversity, employee wellbeing, and the recruitment and retention of talent will continue to be key focuses for the Group in the years ahead as we continue to pursue our goal of being a high-performing organisation and industry leader.

"As we continue to pursue our aspiration of being a truly inclusive and diverse business, I am very proud indeed of the commitment of all my colleagues across our business to make a positive difference to our customers, both internal and external. The biggest differentiator a business can have is the quality of its people. At Wates, I believe we have the best team in the industry and that's why I have total confidence that we will succeed in our aspirations."

PAUL ROWAN
GROUP HUMAN RESOURCES DIRECTOR

"...CREATING AN ENVIRONMENT WHERE EVERY EMPLOYEE CAN BE THE BEST VERSION OF THEMSELVES"

Inclusion and diversity

Inclusion and diversity continues to be a key performance priority. In 2022 we were proud to be recognised for our work to make the business more inclusive and diverse, with national awards, including being listed in The Times Top 50 Employers for Women; the Construction News' Award for Diversity and Inclusion Excellence; and two Working Families Best Practice Awards, in recognition of our flexible working principles and initiatives.

A key initiative on diversity over the year is the launch of a mentoring circles pilot scheme to help on-site female employees build stronger networks and benefit from specialist advice from senior leaders in the business.

Wates is also now part of the Women into Construction employability partnership, aimed at bringing 125 more women into the business. In 2022, we launched our first programme as part of this two-year partnership.

The year also saw the introduction of schemes aimed at developing a greater understanding of inclusion throughout the business. As well as our annual Inclusion Month of activities during September, new initiatives included a confirmed commitment to allyship and the launch of a major national study to raise awareness of microaggression and the need for allyship.

We also supported the largest ever report on menopause in the workplace by the Fawcett Society, part of our ongoing commitment to raise greater awareness and understanding of the issue among our workforce and to better support our female colleagues.

Learning and development

In 2022, we enhanced our already diverse learning and development portfolio to build the skills and develop the behaviours that will be vital for the delivery of our key business priorities.

New initiatives included the launch of a new Customer Excellence programme to recognise the value we place on having truly collaborative relationships with our customers at all stages of their journey with us. In addition, a new Environmental Sustainability programme for business leaders has been designed, with a wider rollout expected in 2023 to drive the delivery of our sustainability commitments.

To develop better leadership at all levels in the business, a range of programmes have been made available for people managers at every stage in their career journeys. The year saw the introduction of new Performance and Development Review (PDR) modules, to better cultivate the art of inclusive PDR.

Group-wide, we invest around £1.5m a year in developing our people and their careers. In 2022, this investment enabled around 7,500 training days and 25,000 e-learning modules to be completed.

We are proud of our Investors in People Gold accreditation, and in 2022 we were shortlisted for the UK Employer of the Year: Gold title at the Investors in People Awards.

Talent and recruitment

The unprecedented conditions of the labour market in 2022 created significant challenges when it came to attracting and retaining diverse talent. There were record numbers of live vacancies across the Group during the year, with most roles required in response to business growth. In response, the Group achieved the highest year-on-year volume increase of job offers.

This success required investment in our in-house recruitment team, excellent promotion of the brand externally, and effective partnerships with a strong network of agencies. A number of process enhancements were therefore made to support hiring managers and streamline the recruitment process in the face of extraordinary pressure.

The year also saw a record intake to our trainee programme for college leavers and graduates, with 86 new trainees joining in September 2022. A further 130 trainees are expected in 2023, with the new cohort also expected to be the most diverse intake so far.

Our focus on early careers, which encompasses all apprentice and trainee programmes from Level 2 to Level 6, also allow us to deliver on our commitment as a member of the 5% Club[1].

“…THE GROUP ACHIEVED THE HIGHEST YEAR-ON-YEAR VOLUME INCREASE OF JOB OFFERS”

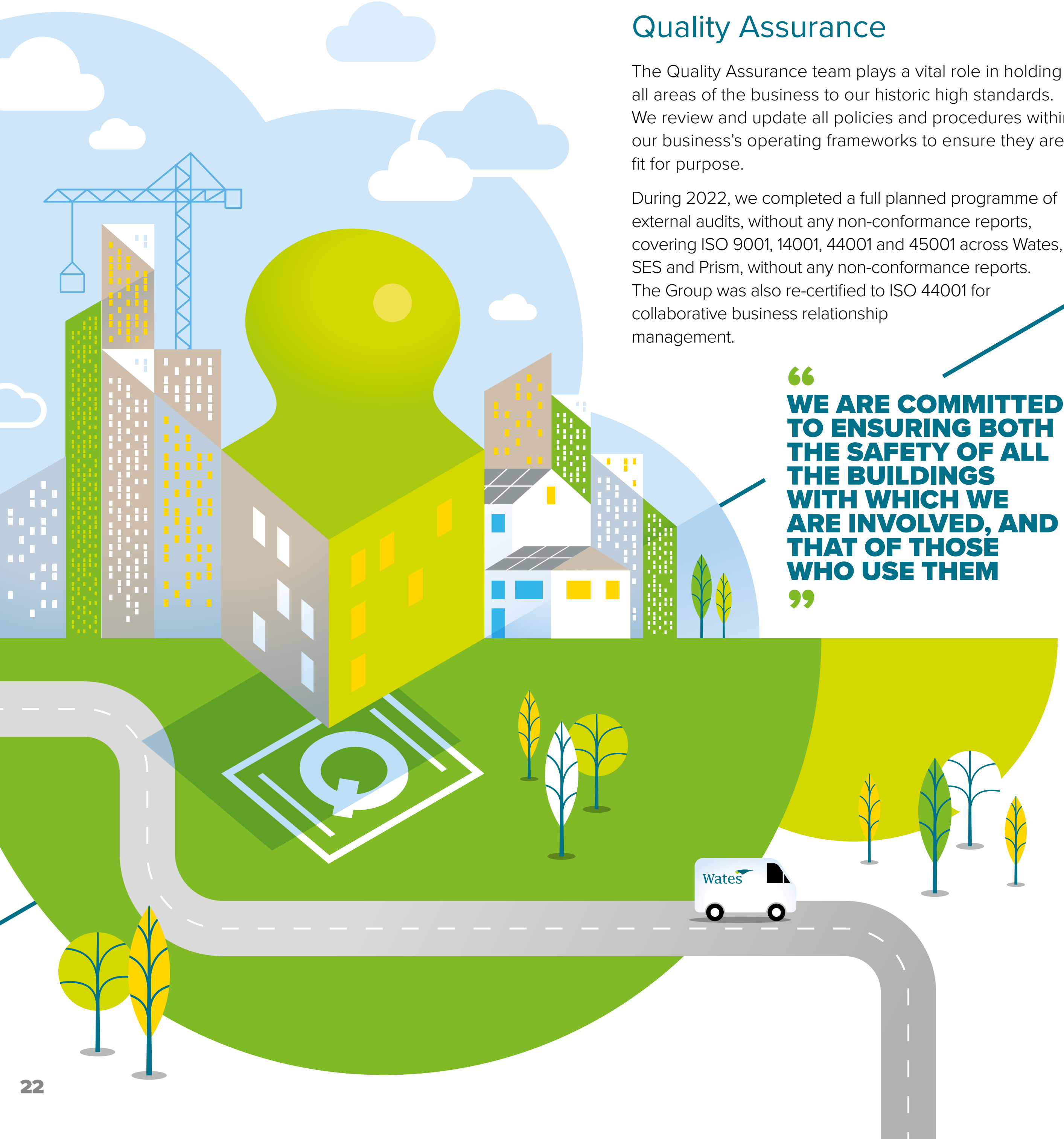
INVESTORS IN PEOPLE®
We invest in people Gold

“WE INVEST AROUND £1.5M A YEAR IN DEVELOPING OUR PEOPLE AND THEIR CAREERS”

[1] Members of the 5% Club aim to achieve 5% of their workforce in 'earn and learn' positions (including apprentices, sponsored students and graduates on formalised training schemes) within five years of joining the club.

QUALITY

Quality is one of our key performance priorities, and so consistently delivering reliable, quality work, safely and sustainably across all sectors we are involved in is central to securing our reputation and ongoing success.



Quality Assurance

The Quality Assurance team plays a vital role in holding all areas of the business to our historic high standards. We review and update all policies and procedures within our business's operating frameworks to ensure they are fit for purpose.

During 2022, we completed a full planned programme of external audits, without any non-conformance reports, covering ISO 9001, 14001, 44001 and 45001 across Wates, SES and Prism, without any non-conformance reports. The Group was also re-certified to ISO 44001 for collaborative business relationship management.

> **"WE ARE COMMITTED TO ENSURING BOTH THE SAFETY OF ALL THE BUILDINGS WITH WHICH WE ARE INVOLVED, AND THAT OF THOSE WHO USE THEM"**

Quality delivery

Quality is central to the way in which our people and supply chain work together and is captured in Delivering the Promise – our programme which focuses on delivering consistently and repeatedly across our entire business. The programme is delivered in three key stages – design; construction; and handover and aftercare.

During 2022 there was a renewed focus on workmanship and standards. Our Quality reporting captures defective notices, non-compliances, materials and workmanship notices as well as investigations and assesses root cause, corrective actions and lessons learned – all of which are fed back into the business.

> **"QUALITY IS CENTRAL TO THE WAY IN WHICH OUR PEOPLE AND SUPPLY CHAIN WORK TOGETHER"**

In 2023 and beyond we will invest in new digital tools to help our people and supply chain manage and check the progress of the work. This will improve our ability to maintain a photographic record of the progress of the work and deliver a complete digital golden thread for onward issue to our customers.

Building Safety Act 2022

We are committed to ensuring both the safety of all the buildings with which we are involved, and that of those who use them.

We are reviewing our current policies and procedures in line with any changes required by the Building Safety Act 2022 and by any secondary legislation (as and when this comes into force) that applies at planning, design, construction and maintenance stage, along with the 'golden thread' of information that is required to be created and updated throughout a building's lifecycle. We will also be carefully managing our project programmes to adapt to any changes and to ensure that contractual risk is addressed both upstream and downstream in our projects.

Initial training to all employees on the key principles of the Act has been provided though video, intranet and face-to-face updates. We are ensuring our people have the necessary competencies, skills, knowledge, experience and behaviours to fulfil their project roles, and we have been liaising with our supply chain, sharing our experience and good practice. We are proactively managing any legacy issues with our customers and supply chain. Quality is at the heart of our approach to competence. Building with excellence and quality is fundamental to what we do, and it is what we expect of everyone we work with.

Our focus for 2023 continues to be on improving compliance and performance, building on the processes already in place to ensure our ongoing compliance with the Act, and with any additional requirements of the secondary legislation.

OUR AREAS OF BUSINESS

DEVELOPMENTS

Our land, planning and residential development division, the Developments Group, includes three core, complementary businesses: Developments, Partnerships, and Development Agency Services (DAS). In 2022, our flexible workspace brand, Needspace, was also incorporated into the division, adding commercial property capability and experience.

£123m
TURNOVER, INCLUDING SHARE OF JVS' AND ASSOCIATES' TURNOVER (UP 15.1%)

£148m
CAPITAL INVESTED

127
CLIENTS IN OUR NEEDSPACE PORTFOLIO

48
PEOPLE

414
HOMES SOLD

15,812
HOMES IN PLANNING PIPELINE

10 ACTIVE DEVELOPMENT SITES

98% PLANNING CONSENTS GRANTED IN LAST 10 YEARS

> **"DESPITE DIFFICULT ECONOMIC CONDITIONS WE HAD A STAND-OUT YEAR IN 2022"**

Our turnover and headcount grew in 2022, reflecting the post-pandemic recovery for many of our customers, despite continuing economic uncertainty. Our employees grew from 37 at the end of 2021 to 48, while turnover was up more than 15% from £110.2m (including Needspace) to £126.8m (including Needspace).

Developments

The Developments business maintains a large and growing portfolio of sites with potential for residential development. We are focused on delivering consented land and new homes across the south of England, on greenfield and brownfield land. We have an excellent track record of securing planning consents in urban and edge-of-settlement locations where new homes are most needed. We sell sites to the wider land market and partner with major housebuilders in Joint Ventures to create large residential schemes.

> **"ALL THIS SUCCESS WAS ACHIEVED WHILE STAYING TRUE TO OUR GROUP-WIDE COMMITMENT TO QUALITY AND SUSTAINABILITY"**

Despite the mixed economic picture we achieved a stand-out performance in 2022, securing record profits and number of sites achieving planning consents, six in total, which will ultimately result in nearly 2,500 new homes. Securing new land is key to our long-term growth plans and over the past 10 years we have achieved a 95% success rate on our planning applications. Through our Joint Ventures we increased our pipeline of development in 2022 with two new schemes, which will see 530 new homes being built and sold over the next five years.

All this success was achieved while staying true to Wates' Group-wide commitment to quality and sustainability. The planning solutions we create for our sites prioritise sustainability, providing biodiversity net gain, nitrate mitigation schemes, water management and the creation of extensive open parklands for the communities these sites serve.

“OUR PORTFOLIO OF DEVELOPMENT INVESTMENT IN JOINT VENTURES PERFORMED REALLY WELL, WHILE RELATIONSHIPS WITH KEY PARTNERS REMAINED STRONG”

Partnerships

Through our Partnerships business we offer tailored development solutions through land and build packages for our customers, with a particular focus on the affordable housing, build-to-rent and student housing sectors, particularly in and around London and major regional centres. We target brownfield land opportunities, with or without residential planning consent, and ultimately deliver completed, de-risked schemes to our customers. We offer a critical link between the Wates Group's development and delivery capabilities, working closely with both our residential and construction contracting businesses.

We are proud to have brought forward our first package deal in 2022 with Aldershot Town Football Club, where we worked with the local authority and other key stakeholders to deliver new homes, (built by Wates), that will provide funding to deliver a regenerated football club for the wider community. Planning consent is expected in 2023.

We also signed a multi-site partnering agreement with a private developer, Dukelease, for a portfolio of student and co-living developments, to be built by our construction business.

The team is growing quickly, and we expect to secure more schemes in 2023, with demand from both private rented sector investors and housing associations particularly high.

Development Agency Services

Our Development Agency Services (DAS) business offers a ‘one-stop shop’ of development services, including in-depth market research, project design, marketing and sales.

The DAS team delivers the open market sales for the schemes in our residential business, manages the House Builder joint ventures when they are operational for our developments business, and delivers the sales for our contracting business where clients do not have the required in-house experience.

In 2022 the team exceeded all targets across the businesses. Through the right product, inspirational marketing and excellent customer journey, we ensured that we maximised returns against market conditions while delivering exceptional customer satisfaction to our home owners.

“The businesses performed brilliantly in 2022 despite tough trading conditions, particularly towards the end of the year. We created the potential for exceptional place-making for the communities we work within, while achieving record profits and planning successes. Our portfolio of development investments in joint ventures performed very well, while relationships with key partners remained strong. New deals were created through our Partnerships business, combining our land and development capability with our site delivery expertise.

The outlook for 2023 remains uncertain with respect to both the housing market and planning environment, yet we are extremely well placed with our strong land portfolio and collaborative relationships to ensure continued success.”

DAVID BROCKLEBANK
EXECUTIVE MANAGING DIRECTOR,
DEVELOPMENTS GROUP

“THREE BAT HOUSES HAVE BEEN BUILT ON SITE TO HELP PROTECT THE BATS, ALONG WITH A TIGHTLY CONTROLLED ‘DOWNLIGHTING’ SYSTEM TO HELP REDUCE IMPACT ON BAT BEHAVIOUR.”

CASE STUDY

WOODLANDS

Barrow Gurney, Bristol

This 66-home joint venture between Wates and Vistry Western shows how we use our expertise to ensure that the existing natural beauty of sites is maintained and enhanced through development.

A finalist in the Residential Development category at the 2022 Bristol Property Awards, ‘Woodlands’ is surrounded by many ancient and mature trees and hedgerows, which are protected here. Ten of the 18 bat species found in the UK, (all protected under the Wildlife and Countryside Act), have been recorded at Woodlands. Three bat houses have been built on site to help protect the bats, along with a tightly controlled ‘downlighting’ system to help reduce impact on bat behaviour.

Woodlands is also a hedgehog friendly development, with small holes created in the fences allowing the hedgehogs to roam freely at night, enabling them to find enough food, mates and shelter – and to preserve their natural habitat.

Work started on site in 2021 and the first residents moved in in August 2022.

Jo Rowsell, one of the first residents to move into Woodlands, said: “We absolutely adore our home; as soon as we saw the layout and its position on site, we fell in love instantly. It's a real comfort to know that we're living in a new energy efficient house and we're not going to be spending any spare time or money on renovations.”

CASE STUDY

WEST WINDSOR

The West Windsor scheme will provide 455 high-quality, sustainable new homes including 182 affordable properties. The scheme demonstrates our commitment to working long term with partners to deliver positive outcomes, even when faced with extremely challenging circumstances.

We first identified the 50-acre site as a strategic land opportunity in 2009. After years of positive community engagement and promotion, the land was released from the Green Belt to create a very high quality, sustainable scheme to include a new SEN (Special Educational Needs) school.

Working in collaboration with Windsor and Maidenhead Borough Council, we supported the formation of the new Borough Local Plan which laid out the housing ambition of the Council for the next 20 years. Adopted in early 2022 it subsequently faced a legal challenge which was defeated in the High Court later in the year.

Planning consent for the northern parcel of land (135) homes was delivered in November which allowed for a land sale to a housebuilder. This allowed the business to recoup capital investment to date and focus on the larger parcel to the south where we aim to secure planning in 2023.

Throughout the planning process we were commended by the Council for our approach to stakeholder engagement and incorporating the views of the community. The new homes will feature air source heat pumps and solar panels, with the scheme expected to deliver a 20–30% net gain in biodiversity.

CASE STUDY

FORD AIRFIELD

Once completed, the historic 900 acre former Ford Airfield site in West Sussex will be transformed into a multi-use residential development featuring 1,500 new homes alongside a new primary school, care home, retail space and sports facilities.

The visionary development is a perfect example of how our 'know-how' can help a landowner partner achieve ambition to create a lasting legacy for the wider community.

Local consultation was put at the heart of the proposition, resulting in this site becoming the largest Neighbourhood Plan allocation in the UK. By aligning council and landowner interests, a highly sustainable proposal was developed to provide superb infrastructure improvements that will transform this brownfield site.

The very large, existing open air Sunday market was embedded within the design – an aspect that was of critical importance to our landowners.

Under our promotion agreement with the landowners the site will be sold for development in 2023.

CASE STUDY

BUCKINGHAM

In July 2022, we secured outline planning consent for a sustainable development of 420 family homes on this 58-acre site. This success followed three years of work alongside the local planning authority and the Buckingham community.

A large proportion of these much-needed new homes will be low carbon homes, with features such as electric vehicle charging points. In addition, the overall development will deliver a 14% gain in biodiversity via 14 acres of green infrastructure, including wildlife corridors and habitat creation.

Providing 7.9 acres of public open space, the development will also contribute funding to improve local transport and social infrastructure, to benefit the wider Buckingham community. The land has since been acquired by a Joint Venture between Wates and Vistry Homes, and construction will commence in 2023.

NEEDSPACE

Needspace is Wates' flexible workspace brand, providing quality managed office and workshop environments for small businesses across London and the Southeast of England. In 2022, Needspace was incorporated into the wider Developments Group.

The business currently has a portfolio of seven premises: five in London and two in Sussex, (a mix of managed workspaces and more traditional investments).

With 2022 marking the first full post-pandemic year, seeing workers returning to the office in greater numbers, our key focus was to consolidate occupancy levels across our portfolio. By the end of the year, despite the continuing backdrop of the recovery from the COVID-19 pandemic, we were at 68% occupancy across our five managed workspace centres.

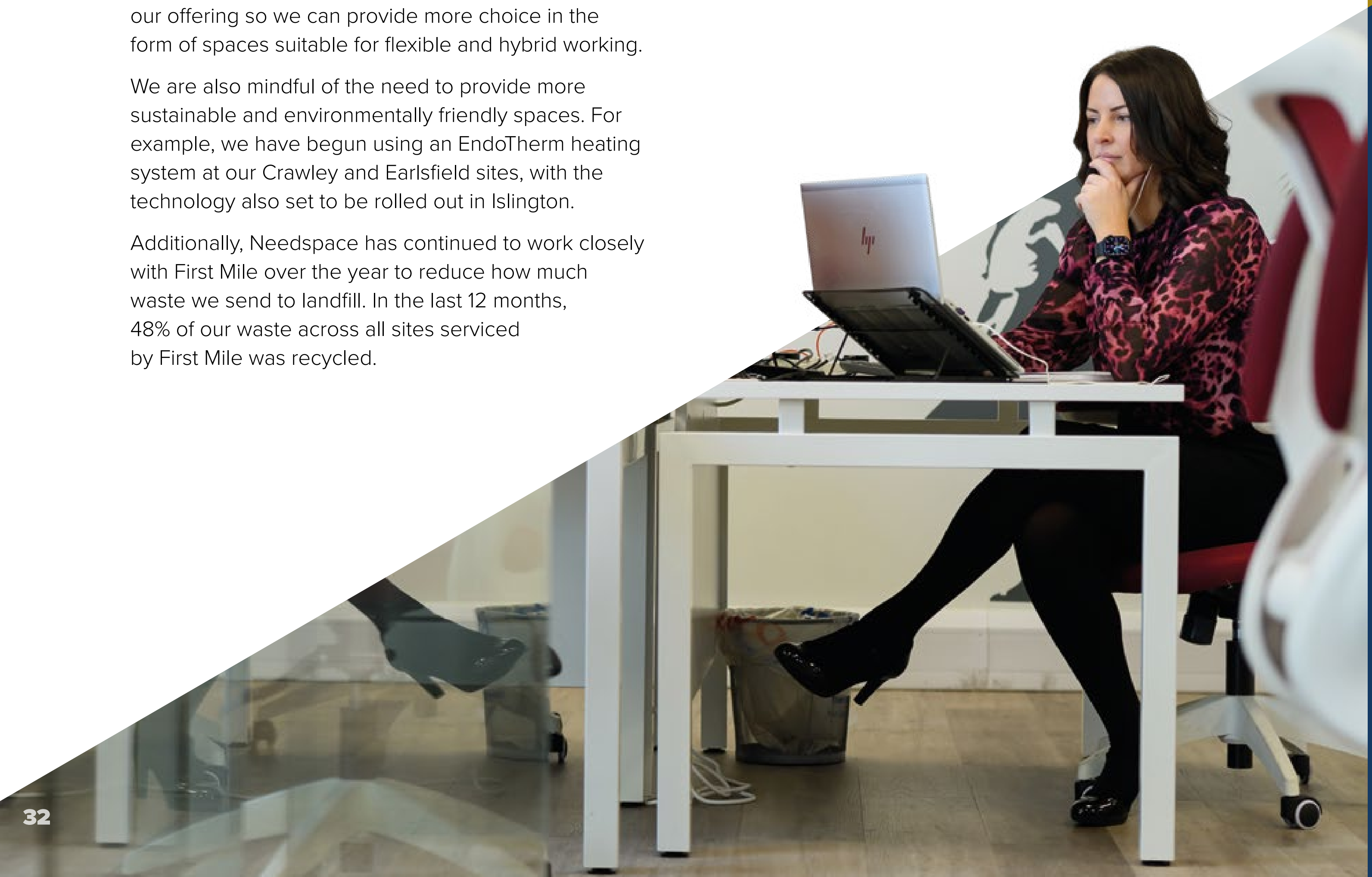
At Needspace we understand that our customers' requirements have changed over the last three years. The business has adapted and will continue to adapt our offering so we can provide more choice in the form of spaces suitable for flexible and hybrid working.

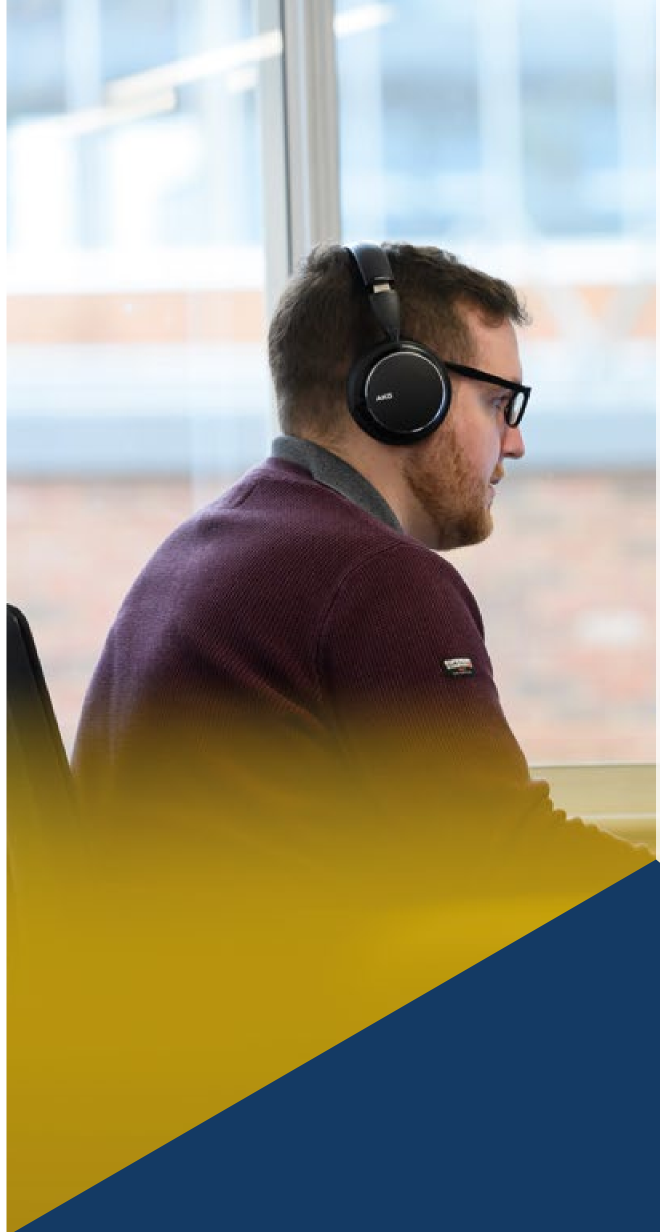
We are also mindful of the need to provide more sustainable and environmentally friendly spaces. For example, we have begun using an EndoTherm heating system at our Crawley and Earlsfield sites, with the technology also set to be rolled out in Islington.

Additionally, Needspace has continued to work closely with First Mile over the year to reduce how much waste we send to landfill. In the last 12 months, 48% of our waste across all sites serviced by First Mile was recycled.

"The year started positively following the tail-end impact of the pandemic and we witnessed some positive uptake across our centres. Throughout the year this momentum has slowed in the face of increasing competition from other flex-space operators and more traditional landlords. The year has also highlighted the growing requirement for employers to provide a workspace environment to entice staff back to the office and provides more facilities to help attract new staff. The move to quality office space will continue into 2023 and we will reflect the aspirations of our current and future clientele."

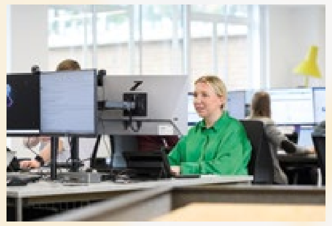
JON DICKMAN
MANAGING DIRECTOR,
NEEDSPACE





CASE STUDY

AVK



AVK is the leading provider of critical power solutions across the UK and Europe, with its London office occupying the 2nd floor of our building in Clerkenwell, East London. The company has previously utilised office space across the city, but as it enters an aggressive growth phase, the ability to personalise and flex its workspace (which we guarantee for all our customers) was what led AVK to sign a five-year-lease.

Taking advantage of the quality of the fitted-out floors we can offer, AVK is now in discussion with us for additional space to best meet the needs of its team and clients – and it's putting the customer first that is at the heart of Needspace.

This flexibility shows the relationship between Needspace and AVK goes much deeper than that between landlord and tenant. We consider one another as partners as we grow our respective businesses. The AVK team says it enjoys working with us precisely because we are more than what it describes as a "faceless" building management company, and we are embarking on a journey of growth together.

CASE STUDY

BILLIGENCE

Business intelligence and data analytics firm Billigence first rented office space with Needspace for just five people in January 2020, deciding to take up a larger unit for 24 people on the Hammersmith site 18 months later.

The ability for customers like Billigence to test the water with small spaces and then rent larger units as their businesses grow is a demonstration of how customers' needs are at the heart of the Needspace offering.

However, it wasn't just price that attracted the customer. As an international business with offices on four continents, easy access to Heathrow Airport made the Hammersmith site particularly attractive. More importantly, Billigence says that their people don't feel like 'just a number' on a Needspace site, with staff responsive to requests and quick to fix problems as they arise.

CONSTRUCTION

Our construction services are delivered through the Construction Group, which is made up of two complementary businesses: Construction and Integrated Construction Services.

1,722
EMPLOYEES (UP 13%)

£43m
AVERAGE VALUE OF PROJECT

£958m
TURNOVER (UP 24%)

£4.5bn
BIGGEST EVER ORDER BOOK

£1.32bn
WORK WON

PARTNER WITH
70%
OF UK PUBLIC SECTOR FRAMEWORKS

51 SITES UNDER CONSTRUCTION

17
SCHOOLS UNDER CONSTRUCTION

LEADING HEALTH AND SAFETY PERFORMANCE

0.08
ACCIDENT FREQUENCY RATE

£4m
SPENT WITH SOCIAL ENTERPRISES

Our Construction business operates across the UK, working with its public and private sector partners, delivering innovative solutions and sustainable projects.

Integrated Construction Services comprise several specialist businesses, including SES Engineering Services (SES), offsite manufacturing specialist Prism, Building Services and Drylining Services.

We have an excellent reputation for self-delivered projects and connect all our specialist capabilities to provide customers with market-leading services from the start of a project through to completion.

In 2022, we employed 1,722 people across all our construction businesses, an increase of 13% on 2021. Turnover was £958m.

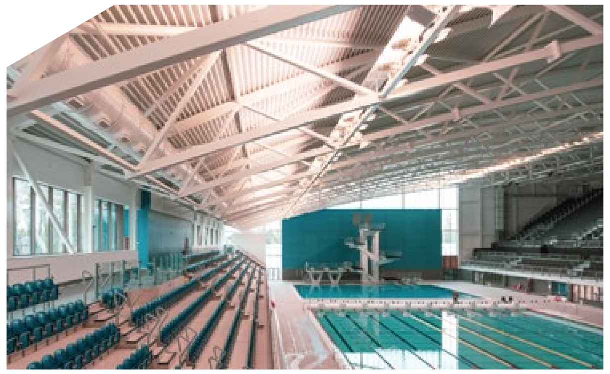
"2022 has been another excellent year as we have learnt to navigate the ever-changing landscape of our economy. However, our targets for the next five years remain high. It has never been more important to innovate and collaborate across the whole of the Construction Group to achieve our strategic aims, serve our customers and grow our business. People remain at the heart of all our operations and further investment into our teams will be the route to meeting our ambitions, as we continue to build tomorrow together."

PAUL CHANDLER
EXECUTIVE MANAGING DIRECTOR, CONSTRUCTION GROUP

Health and safety

The Construction Group's health and safety performance was particularly impressive, with an Accident Frequency Rate (AFR) of 0.08, and a Lost Time Injury Rate (LTIR) of 0.09, under our Zero Harm target of 0.10 and 6% better than the previous year. This performance represents a 76% improvement since we launched our Zero Harm campaign.

"THE CONSTRUCTION GROUP'S HEALTH AND SAFETY PERFORMANCE WAS PARTICULARLY IMPRESSIVE"



CONSTRUCTION

We enjoyed an excellent year in 2022, despite significant macro headwinds. We won some of our biggest contracts to date, completed on some of our largest projects, and consolidated relationships with key partners in both the public and private sector.

The average project size in 2022 was around £43m, our highest ever, and reflective of the larger, more complex nature of our work today.

Our strategic decision to focus on key partners in terms of both customers and the supply chain has helped us navigate an uncertain external environment. On the private sector side of the business, this has meant strengthening relationships with MEPC, SEGRO, British Land and Landsec, among others. While in the public sector, we continue to win places on some of the biggest government frameworks.

Highlights for the year included signing a c£500m contract to design and build Envision AESC's advanced car battery gigafactory in Sunderland, which will boost the growth in electric vehicles in the UK, and the completion of the landmark Sandwell Aquatics Centre for the Birmingham 2022 Commonwealth Games.

We continue to partner with over 70% of central and local government frameworks in the UK – with that work constituting almost half our revenue.

We are engaged in key frameworks including: the Crown Commercial Service (CCS); the Department for Education (DfE); Homes England; and the Ministry of Justice (MoJ), and we have added to this impressive roster in 2022. Having made a strategic decision to target more work in the healthcare sector, we were awarded a place on four of the regions on a new ProCure23 framework, launched in partnership with CCS, NHS England, and NHS Improvement. Our renewed focus on healthcare comes after we established a new healthcare team, led by Simon Kydd, formerly head of healthcare at WSP.

Our commitment to public sector partnerships can also be seen in the key role we continue to play in the implementation of the government's *Construction Playbook*, which Wates were actively involved in designing in 2022. The Playbook brings together best practice from across the sector and will help provide a consistent approach to the procurement of publicly funded projects.

> **"THE AVERAGE PROJECT SIZE IN 2022 WAS AROUND £43M, OUR HIGHEST EVER"**

"The past year has cemented our business' shift in scale, in both project value and complexity. We have strengthened our relationships with our long-term customers in the public and private sectors, as well as forged partnerships with clients who are new to Wates. Regardless of our projects' size, our commitment to building in the best possible way remains the same – ensuring we practice exemplary health and safety, support our local communities, provide trusted consultancy to our customers, and provide a fulfilling working environment to our people."

MARK TANT
MANAGING DIRECTOR, CONSTRUCTION

> **"THE PRINCIPLES GUIDING OUR WORK ON THIS PROJECT HAVE BEEN SUSTAINABILITY, ACCESSIBILITY, AND LEGACY"**

"This has been a wonderful partnership between so many different agencies and our construction partners Wates. This place will have a real legacy for years to come and is already acting as a catalyst for regeneration in the area."

TONY McGOVERN
DIRECTOR OF REGENERATION, SANDWELL COUNCIL

CASE STUDY

SANDWELL AQUATICS CENTRE

The Sandwell Aquatics Centre, which hosted swimming events at last summer's Commonwealth Games in Birmingham, is a great example of how we work with our customers and the wider community to deliver projects that create a positive legacy.

The centre is being delivered over three phases: the completion of the initial facility – ready in time for the Commonwealth Games – completed on time and on budget in the spring of 2022; the installation of the overlay equipment and facilities for the Games and subsequent removal; and the completion of legacy facilities. These include a 50m competition pool with moveable floors, a 25m diving pool and dive tower, a smaller 'community' pool, two sports halls, an outside football pitch, a fitness gym, and an urban park and children's play area.

The principles guiding our work on this project have been sustainability, accessibility, and legacy. While we are incredibly proud to have delivered a stunning building for a showpiece occasion, it is equally important that the facility benefits the community of Sandwell for many years afterwards.

The local authority in Sandwell has had a longstanding ambition to provide new leisure facilities, including an Olympic size pool, but has been constrained by budget. The opportunity to host the Games, therefore, was a huge help in making this ambition a reality. Smethwick, where the aquatics centre is located, is in the top five percent of deprived wards in England, and so the benefits of bringing world-class sporting facilities to the area are myriad. Together with the project's stakeholders we are engaging with the local NHS trust to help understand how the facility can improve wellbeing and fitness for local people. The centre will also serve as a hub where aspiring young athletes can train, providing a stream of talent for the future.

In terms of supporting the local economy, the project has had a massive impact already. It has run up more than 100,000 working hours, with more than half of these being for workers coming from within a 20-mile radius of the site, and 30% from within 10 miles. Additionally, more than £26m of orders from businesses within 10 miles of the site have been placed, while £450,000 has been spent so far with five local social enterprises.

Environmental sustainability has also been at the forefront of this project throughout every stage. The aquatics centre has been designed to deliver energy savings of more than 10% versus a standard building regulations compliant building, with this saving achieved through a combination of fabric improvements, heat recovery and other efficiency measures, and renewable energy generation.

CASE STUDY

ONE CANADA WATER

Southwark

British Land's 53-acre Canada Water development in Southwark is the first new 'town centre' to be built in London in 50 years and is one of the capital's largest mixed-use regeneration projects.

We have partnered with the developer on the site's largest plot, which features three office blocks, 200,000 square feet of retail and commercial space, and a 35-storey residential tower that will provide 186 new homes.

We are proud to be a major partner on a landmark development that, overall, will feature a new high street, town square, leisure facilities and around 3,000 net zero homes, of which a quarter will be designated as affordable housing.

The scheme is working towards becoming one of the most sustainable and has targeted BREEAM Outstanding certification.

CASE STUDY

THE ACCELERATED HOUSEBLOCKS DELIVERY PROGRAMME

We were appointed alongside Kier to design and construct six prison houseblock expansions at three prisons: HMP Highpoint; HMP Hindley; and HMP Wayland.

To comply with the projects' sustainability objectives, all buildings constructed as part of the package will be Net Zero carbon ready, ensuring they will be energy efficient and be able to operate without fossil fuels. They will also deliver a 10% biodiversity net gain.

The projects are part of the government's wider Additional Prison Places Programme, which seeks to create thousands of modern, new prison places. To manage the demand and scale of the programme, we and Kier will work collaboratively throughout the projects on a strategic basis to optimise how the assets are designed, procured, delivered and operated.

"11 & 12 WELLINGTON PLACE IS SETTING THE BENCHMARK FOR FUTURE-PROOFED, SUSTAINABLE DEVELOPMENT IN THE UK"

CASE STUDY

11 & 12 WELLINGTON PLACE

Leeds

With this landmark commercial development in the heart of Leeds city centre we wanted to set new standards for sustainability and energy efficiency.

The project, which was completed on 30 January 2023, consists of two blocks of 10 and 11 storeys that sit above a shared basement and are joined by a linking bridge.

The building will be the first outside London, and only the fourth nationwide, to target a five-star NABERS[2] design-reviewed rating for energy and operational efficiency, and for it to achieve Net Zero embodied carbon.

To meet these targets, our team and design partners had to minimise the project's reliance on fossil fuels and its overall energy demand. Sustainable design initiatives therefore included the elimination of gas in favour of an all-electric energy system and the installation of air-cooled chillers. A triple-glazed façade was used to minimise heat loss and 700 square metres of roof-mounted solar PV was installed.

Using offsite construction for the frame of the towers served to reduce carbon use during the construction phase.

Paul Pavia, Commercial Director at developer MEPC, said of the scheme: "11 & 12 Wellington Place is setting the benchmark for future-proofed, sustainable development in the UK. Securing NABERS has required a collaborative approach and a real team effort."

[2] NABERS – the National Australian Built Environment Rating System, now developed for the UK, is an environmental performance rating tool for commercial buildings

CASE STUDY

ENVISION AESC

Sunderland

We are leading design and construction of Envision AESC's c£500m project to build an advanced car battery gigafactory at the International Advanced Manufacturing Park (IAMP) in Sunderland.

The infrastructure developed will support battery production at the facility by 2024. The project involves our Construction, SES and offsite manufacturing businesses, working in close collaboration.

The gigafactory is part of a £1bn partnership with Nissan UK and Sunderland City Council to create an electric vehicle hub at the IAMP, playing a key role in leading the decarbonisation of UK manufacturing. It uses expertise from across the Construction Group, with experts coming together to deliver this immensely complex build.

Chris Caygill, Managing Director at Envision AESC, commented: "Envision AESC is pleased to be working with both Wates Group and Turner & Townsend as key partners in this next stage of our UK gigafactory development. Each brings unique strengths to the project that will help deliver a world-class battery manufacturing facility essential to helping the UK automotive industry transition to a fully electrified future. We pride ourselves particularly on the safety record of our batteries, which continually achieve zero critical incidents in new product and process designs. Together with smart, digitally integrated clean energy generation, storage and use in our battery plants, we are supporting the global transition towards Net Zero carbon energy targets."

CASE STUDY

ABBEY ROAD HEALTH CENTRE

The £12.5m Abbey Road Health Centre is the second phase of a wider regeneration we delivered in partnership with Camden Council, to meet their vision of creating healthier communities for the borough.

It includes a community centre, a nursery and community garden, as well as the Belsize Priory medical centre with 52 consultation and examination rooms.

Generous ceiling height allows plenty of natural light and helps create a welcoming space for the community and a relaxing environment for health centre visitors to meet their GP and community nurses.

> **"THIS WAS A SCHEME WHICH ENGAGED RESIDENTS FROM THE START, THROUGH A COMMUNITY-LED CONSULTATION PROCESS"**

Roof space is used for plants and solar PVs as part of a range of sustainable features. Two-storeys in height, the building has a timber Glulam façade, which provides solar shading and privacy for patients on the upper floors as well as a base for plants to climb up so the building's design can better integrate with its external green surroundings.

Set within a previously run-down park, the council wanted to provide a safe space for the local community as well as providing brand-new facilities. So, as part of the scheme, we redeveloped the surrounding space into a large new local park, with wildflowers and meadows to promote biodiversity.

This was a scheme which engaged residents from the start, through a community-led consultation process, and our early involvement meant we could meet the council's vision.

INTEGRATED CONSTRUCTION SERVICES

Our Integrated Construction Services function brings together four existing businesses within the Construction Group. Taken together, these businesses connect and consolidate our capability and thereby improve the quality and efficiency of delivery. Our remit is to promote the adoption of modern methods of construction (MMC) wherever possible and explore innovative technologies to help deliver better and more sustainable solutions for our customers.

The four founding businesses are: Wates Building Services, a market-leading in-house mechanical and electrical (M&E) services provider; Wates Drylining Services, a specialist in-house division that provides drylining services; Prism, our 6,000-square-metre offsite manufacturing facility in Coventry; and SES Engineering Services (SES), a design-led M&E provider that delivers bespoke solutions for our customers. The business notched several notable achievements in 2022 as we continued to grow and make our mark on the sector.

> **"THE BUSINESS NOTCHED SEVERAL NOTABLE ACHIEVEMENTS IN 2022 AS WE CONTINUED TO GROW AND MAKE OUR MARK ON THE SECTOR"**

Smart buildings and MMC

In 2022, SES completed work at 33 Charterhouse Street, a landmark 'smart building' for developer Helical in London and began work on another at 4 Angel Square in Manchester. We also started on site at Europe's largest and most sustainable live entertainment venue, Co-op Live in Manchester. SES also continued to work alongside our flagship construction projects including the Life and Mind Building for Oxford University, bioscience hub BIOS for Teesside University, and one of the UK's most sustainable commercial buildings, 11 & 12 Wellington Place for MEPC.

Our offsite manufacturing facility, Prism provided significant support on Charterhouse Street, creating its most technically complex risers to date for the project. It also continues to support our Construction business on the redevelopment of Canada Water in South London and is working with SES on the NOMA project in Manchester.

SES enhanced our innovation credentials by winning the MMC award at the Northwest Construction Awards for our work on the Lostock Sustainable Energy Plant (LSEP) in Cheshire. Judges were impressed by the high-level vision of a project built entirely offsite and designed to BIM Level 2, incorporating cloud scanning and the use of VR technology. The fabrication of the bespoke 'super modules' contributed to a low carbon footprint, saving 19,000 hours over traditional construction methods, while an offsite hub 10 miles from the site allowed for the recruitment of local labour.

“THIS YEAR PRISM’S TURNOVER INCREASED IN LINE WITH OUR AMBITIOUS GROWTH ASPIRATIONS.”

Showcasing our technical excellence through TEC

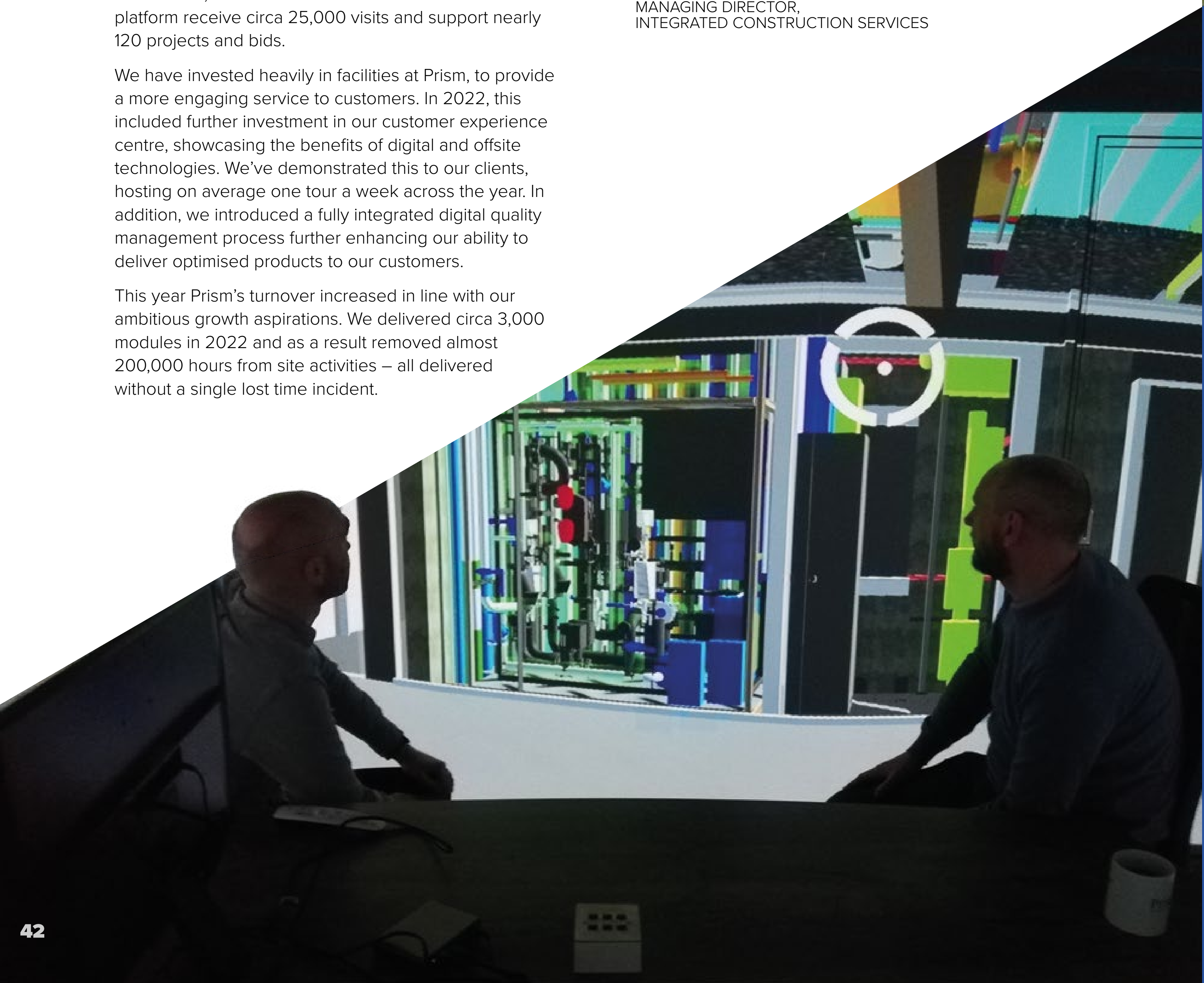
As part of our wider investment and growth strategy, we created TEC (‘Technical Excellence Centre’), an integrated insight platform that connects our experts from across the construction group to support our key business priorities. The platform shares knowledge and best practice while promoting collaboration and the use of new industry innovations, trends and solutions. 2022 saw the new TEC platform receive circa 25,000 visits and support nearly 120 projects and bids.

We have invested heavily in facilities at Prism, to provide a more engaging service to customers. In 2022, this included further investment in our customer experience centre, showcasing the benefits of digital and offsite technologies. We’ve demonstrated this to our clients, hosting on average one tour a week across the year. In addition, we introduced a fully integrated digital quality management process further enhancing our ability to deliver optimised products to our customers.

This year Prism’s turnover increased in line with our ambitious growth aspirations. We delivered circa 3,000 modules in 2022 and as a result removed almost 200,000 hours from site activities – all delivered without a single lost time incident.

“The past year has shown that agility and innovation are critical to our future success. These qualities are embedded in our constituent companies and are the pillars around which we shape our strategy. By investing in our existing capabilities, as well as new integrated initiatives, we are ensuring our business has all the tools to continue delivering industry-leading services to customers in 2023 and beyond.”

ROB CLIFFORD
MANAGING DIRECTOR,
INTEGRATED CONSTRUCTION SERVICES



CASE STUDY

EDGAR WOOD ACADEMY

Edgar Wood Academy is the first school in the country to be procured via the DfE’s Modern Methods of Construction (MMC) framework, and the first of 12 we are leading on following our appointment to the framework in January 2020.

Integrated construction services were used across the £19m scheme, to develop the complex MMC requirements mandated by the DfE. Within the scheme, Prism was used to manufacture the plant room and multi-service horizontal corridor modules while our building services division provided MEP services to the project.

Using offsite manufacturing we were able to remove over 3,000 hours from site activities, helping us deliver the site safely and more efficiently.

Prism also used the project to successfully trial its new turnkey in-house installation offering. The team worked in partnership with social enterprise company Connection Crew, which gives employment opportunities to homeless people. Together, they worked to install 60 horizontal modular distribution units across the school’s three floors.

PROPERTY SERVICES

Our Property Services division comprises three businesses that together deliver whole-life operation of buildings across the domestic and non-domestic sectors of the built environment.

£499m
TURNOVER

£1.9bn
FORWARD ORDER BOOK

WINNERS OF
FOUR GREEN APPLE AWARDS
FOR ENVIRONMENTAL SUSTAINABILITY

PARTNER WITH
65 SOCIAL HOUSING PROVIDERS

2,686
ZERO CARBON RETROFITS COMPLETED/IN PROGRESS BY WATES RETROFIT

500,000+
HOMES MAINTAINED

1,478
PEOPLE

WORKING ON FIT-OUT PROJECTS WORTH
£5m-£30m

EXCELLENT
SAFETY RECORD

ZERO HARM
ACHIEVED

701
COMMERCIAL PROPERTIES MANAGED

“OUR TEAMS HAVE DELIVERED AN UNPRECEDENTED LEVEL OF QUALITY AND THE HIGHEST LEVEL OF SUPPORT TO OUR CUSTOMERS”

Together, our teams deliver a core range of services, including planned and responsive maintenance; fit out and refurbishment works; facilities management; and specialist decarbonisation and fire safety works to public and private sector customers across the country.

Our social housing maintenance business, Wates Living Space, is the largest of the three and focuses on providing strategic asset management solutions to residential customers from local authorities and housing associations, with a particular emphasis in recent years on maintaining decency, delivering carbon reduction and fire safety work. At the end of 2022 it had an order book worth over £1bn.

Our facilities management (FM) business provides self-delivered mechanical, electrical and ‘total FM’ services to public and private sector customers with a focus on improving the carbon and energy usage of non-domestic buildings through cutting-edge technology.

Our fit-out business, Wates Smartspace, delivers high-quality commercial, office, secure facility, and industrial fit-out and refurbishment services across a range of customers in both the public and private sectors, helping them to understand and future-proof their premises.

Taken together, these businesses employ nearly 1,500 people.

“Despite much uncertainty in the industry, our teams have delivered an unprecedented level of quality and the highest level of support to our customers, and I am proud of how our people continue to push for innovation and strive for excellence in everything we do.

We maintain a strong order book and continue to retain almost all our existing contracts.

Sustainability will continue to be a key focus this year as we continue to grow our position as a leader in domestic retrofit and firmly establish ourselves as an authority in the emerging non-domestic retrofit industry under the PAS 2038 certification.”

DAVID MORGAN
EXECUTIVE MANAGING DIRECTOR,
WATES PROPERTY SERVICES

HOUSING MAINTENANCE

Wates is a trusted partner for more than 60 social housing providers from the public and housing association sector. With a team of almost 1,000 skilled people, we are responsible for providing all aspects of building maintenance, including both reactive and planned maintenance, to over half a million homes across the UK.

We are now an industry leader in retrofitting social housing properties. Future-proofing the UK's housing stock is of vital importance and our work creating energy efficient homes, which are fit for the future, will ensure people and communities thrive. In June 2022, we launched Wates Retrofit, a PAS2035 compliant end-to-end, whole house retrofit service for social landlords, to help them meet the government target for all social homes to achieve an EPC C rating or better by 2030. We are on track to have completed retrofit enhancements to around 3,000 homes by the end of 2023. This, however, is only the start. With around two million social housing properties across England requiring retrofitting to meet the government targets, this will be a key area of focus to our business for years to come.

In keeping with recent years, the areas of focus in 2022 continued to be growing our core service areas and developing our specialist service areas to ensure the homes we are entrusted to look after are reassuringly safe for their occupants.

"Throughout 2022 our teams across the country continued their exceptional service to our customers, delivering on our commitments in planned and responsive maintenance.

Wates Retrofit went from strength to strength this year, with over £15.4m worth of projects delivered across the UK, firmly consolidating our position as market leader in the sector.

We are pleased to be at the forefront of helping social housing landlords deliver their sustainability strategies and achieve their net zero goals as they become more important in addressing the continued uncertainty with the cost of living and rising energy prices."

STEVE JACKSON
STRATEGY DIRECTOR,
PROPERTY SERVICES

CASE STUDY

WATES RETROFIT

Northampton Partnership Homes

We completed work on one of the first projects under the government's Social Housing Decarbonisation Fund (SHDF) demonstrator programme in Spring 2022, retrofitting 80 homes for Northampton Partnership Homes (NHP). The work improved the EPC ratings of the properties from D/E to B/C. This has helped NHP take a major step in achieving the government's target for all social housing in the UK to be rated EPC C or better by 2030.

We took a whole-house, fabric-first approach to reduce space heating demand by nearly three quarters, with a range of energy efficiency measures deployed across the properties. These included: loft insulation; ventilation; installing new doors and windows; and external wall insulation. Taken together these achieved a 73% reduction in space heating demand and a 70% reduction in carbon emissions. They have also helped protect the residents from rising energy costs.

Together with NHP, we installed bespoke solutions for the different properties on the project such as the Switchee Landlord Hub and Dashboard system, which allows landlords to measure energy efficiency performance and identify inefficiencies.

A key advantage of the project is its scalability. NHP has matched its SHDF funding to invest in wider energy efficiency measures, such as air source heat pumps and solar photovoltaics, which it could now use on retrofit projects across its wider estate of 12,000 homes.

"This project targeted homes built in the early 1900s, which were some of the least energy-efficient we manage, so we're absolutely delighted with these outcomes," said Winston Williams, Director of Asset Management at NPH.

"We've spoken to residents who have complimented Wates for their communication and professionalism throughout the works on their homes. They're extremely pleased with the results and have told us how much easier it is to heat their homes and keep warm."

CASE STUDY

BARNSLEY METROPOLITAN BOROUGH COUNCIL

In July 2020, we began our 10-year contract to deliver planned and responsive repairs and maintenance for homes owned by Barnsley Metropolitan Borough Council (BMBC).

With the contract starting during the height of the pandemic, we worked extremely closely with BMBC and its management organisation to ensure safe mobilisation and to protect tenants. This process included the transfer and induction of 100 operatives to work on the contract.

So far, we have overseen work on a third of the council's social housing stock. Key to the success of the work has been the development of an effective resident liaison strategy, including the creation of COVID-friendly safe working practices, which went beyond national restrictions to protect vulnerable residents.

Now into a third year, we have also begun undertaking major social value initiatives to ensure our work positively impacts the wider community. So far, we have worked with local schools and charities, planted 400 trees and donated time to renovate local RSPB bird-spotting areas.

CASE STUDY

LAMBETH BOROUGH COUNCIL

This contract to provide responsive repairs, disrepair and void property services for 17,000 homes in Lambeth, South London has already seen our team overcome a wide range of challenges.

Part of Lambeth Borough Council's £200m borough-wide housing repairs and maintenance programme, our contract began in July 2021 against the backdrop of the pandemic, during which delivering maintenance to residential properties had become especially complex.

Despite challenges at the beginning, the team worked closely with the council to address issues, resulting in an uplift in performance with 100% of the disrepairs and void properties on target, 95% of appointments kept, and an average 86% customer satisfaction rating.

We have placed huge emphasis on the social value outcomes of the work. In the first year, this involved our team engaging in education initiatives in the borough, including a partnership with Construction Youth Trust that supported young people with mock interviews as an introduction to a career in construction.

GREEN APPLE ENVIRONMENT AWARDS

"WE WERE ALSO PROUD TO LAND FOUR GREEN APPLE AWARDS IN 2022 FOR OUR FOCUS ON ENVIRONMENTAL SUSTAINABILITY IN OUR WORK WITH CUSTOMERS ACROSS THE COUNTRY."

FACILITIES MANAGEMENT

Our FM business provides self-delivered mechanical, electrical and 'total FM' services to its wide range of customers in the public and private sectors.

Alongside traditional 'hard' and 'soft' FM services, our specialist teams also support customers in their efforts to future-proof their assets through the latest technology-based solutions to aid building optimisation, building focused maintenance and computer-generated FM compliance.

Despite the challenges we and our customers faced as we emerged from the pandemic, 2022 marked the best year ever for the business with turnover, profit, and health and safety performance as particular highlights. Alongside the impressive business performance, with major existing customers retained and new high-profile contracts added, our operations teams have also contributed to a record four years of Zero Harm across the business and a net promoter score of 90+.

Key new contract wins came from JLL, where we began a new seven-year contract worth around £40m, which will see us deliver next-generation maintenance across 111 sites; the global engineering firm Ramboll, for whom we will supply total FM services including security, cleaning, and full 'hard' service provision; and Enfield Council. The contract for the latter will run for four years and was awarded through the £1.1bn Fusion21 Workplace and Facilities Framework.

We also won expanded contracts with His Majesty's Revenue and Customs (HMRC), which has seen the contract grow from an initial six sites in 2019, when the partnership started, to 31 sites in 2022.

We were also proud to land four Green Apple awards in 2022 for our focus on environmental sustainability in our work with customers across the country.

"2022 has been another successful year as we continue to provide a first-class service to our customers. The commitment and passion shown by our teams has resulted in the best year yet for our business and a number of high-profile new contract wins. We have also seen existing contracts with two high-profile customers significantly expand due to the excellent service provided by our teams. We are excited as we move through 2023 to help our customers develop technology-focused solutions to the maintenance of their properties and support them in their net zero journey."

ANTONY COLLETT
MD, FACILITIES MANAGEMENT

CASE STUDY

MOTT MacDONALD

We began working with major built-environment consultancy Mott MacDonald in 2017, with a contract including M&E services such as emergency lighting, gas and boiler works, and building facilities.

The contract made use of our data management system ACT. Through the ACT system, the customer can log requests for ad hoc maintenance via its own unique portal, while also monitoring performance on all planned and emergency work undertaken through the contract. This unique solution allows customers using ACT to store and collate all necessary documentation and data in one place, driving efficiencies along the way.

The initial three-year contract has been renewed twice and will now run to the end of 2025. The scope of the work has also expanded over this time, with the contract currently worth £1.7m.

CASE STUDY

WELLCOME GENOME CAMPUS

We began a £2.8m-per-year contract to carry out building maintenance and repair work at the Wellcome Genome Campus in December 2021. The contract began with the immediate transfer (under TUPE) of 24 staff and includes both hard FM services and reactive repairs.

The contract required exceptional delivery from the outset, as befits a world-leading science facility. Due to the nature of the work done at the campus, it is home to a range of unique environments, including heritage buildings and sensitive research facilities.

Delivering multiple tasks across these environments meant our operatives needed to be flexible and agile as they undertook M&E work as well as planned maintenance.

With the work starting while COVID-19 restrictions were still in place, our team had to navigate complicated isolation periods, which produced very particular staffing and labour challenges, especially given the presence of a 24/7 on-site engineering team. These were overcome by using a mobile engineering task force and by drawing on local supply chain partners to ensure as seamless a service as possible.

We are particularly proud to have introduced apprenticeships on this job, with one on-site in the first year and two more joining in 2023.

FIT OUT AND REFURBISHMENT

> "THROUGHOUT 2022 WE HAVE SEEN THE BUSINESS GO FROM STRENGTH TO STRENGTH, HAVING ITS MOST SUCCESSFUL YEAR SINCE IT WAS LAUNCHED"

Our fit-out and refurbishment division, Smartspace, provides national coverage, delivering high-quality commercial refurbishment, property maintenance and compliance projects within its core sectors.

We work with customers across numerous sectors, including banking, retail, healthcare, education, and logistics and distribution as well as owners and occupiers of private and public sector organisations.

Throughout 2022 we have seen the business go from strength to strength, having its most successful year since it was launched. In 2022, we posted record turnover, profit, and cash balance. We also retained all our key customers and landed our biggest ever contract in the shape of a high-profile government project in south London.

We won or extended places on some of the market's biggest public and private sector frameworks. These include places on key government panels such as the Ministry of Justice (MoJ), Department for Education (DfE), Procure 23 and Department of Work and Pensions (DWP). In the banking sector, we renewed our place on the Lloyds Banking Group framework and extended a spot on the roster of another significant banking customer.

Towards the end of the year, we learned we had secured lots on the MOJ's new five-year Constructor Services Framework (CSF), which will deliver property estate activities including new build, refurbishment, maintenance and minor works. We will work on projects worth between £5m and £30m.

We are acutely aware of the extraordinary levels of volatility in the market and how much that is affecting our customers, and so in 2022 we focused increasingly on managing this. Our success in doing so is reflected in a hugely improved NPS score of +62, which reflects a 6% improvement from 2021. We believe this has played a vital role in retaining all our customers through the year.

Safety is a priority across all parts of the Wates Group, and so we are proud that 2022 marked our second consecutive year of Zero Harm, with no reportable accidents occurring on our projects. (See case study, p.62)

We are also keen to help our customers on their sustainability journeys as they build towards Net Zero. Following a bespoke sustainability and innovation campaign we ran for Lloyds Banking Group, using Wates' unique WIN portal, we launched a second campaign with the customer towards the end of the year.

"In what has been our most successful year to date, we are proud to have retained every one of our existing customers as well as places on frameworks within our core sectors, including government, retail, and banking. Our teams work hard to understand our customers' needs as well as changes within the market and this has enabled us to deliver on our commitments while also helping to navigate through challenging times.

Our business' strategy has been and continues to focus on retaining and growing our market share within our core sectors, while also expanding into sectors where we have the experience, capacity, and capability to grow, particularly in office fit-out. Our 2022 success also includes achieving our second year of Zero Harm. I look forward to building on this success with my colleagues in 2023."

SCOTT CAMP
MANAGING DIRECTOR,
WATES SMARTSPACE

CASE STUDY

WATFORD COUNTY AND FAMILY COURT

We are guided by the belief that well-executed fit-out projects can transform both the aesthetics and functionality of a building.

At the Watford County and Family Court, the team took an empty shell office and completely remodelled its interior to become a brand-new judicial development on behalf of our client, His Majesty's Courts and Tribunal Service. The project in Watford town centre featured the reconfiguration of 23,400 square feet of office space on five storeys. This included a full strip-out, replacement of building services and a bespoke fit-out.

As with all our public sector work, we ensured that the Watford project maximised its allocated budget to guarantee value for money for the taxpayer. The team also developed a comprehensive strategy to bring additional social and economic benefits to the local area. This resulted in the team supporting six apprentices on site, the training of a local labourer as a hoist driver, and just over £40,000 spent with local SMEs and social enterprises.

CASE STUDY

BATTERSEA M&S

Over 20 years, we have carried out more than 1,200 fit-out jobs for M&S across the country. However, the project to fit out the company's store in the iconic Battersea Power Station development presented an entirely fresh set of challenges.

The 15,000 square feet unit represents the latest version of the modernised M&S Foodhall, featuring new concept pie, pizza, rotisserie, and sushi offerings, as well as the more established bakery offering. Back of house facilities include a cold room, freezer store and colleague accommodation areas.

This was not a standard Foodhall, which we have delivered for M&S for many years. The work required detailed coordination between the landlord's systems, complex unit design, and a range of programme restrictions and logistical challenges.

Not least, we had to operate simultaneously with contractors working on more than 200 units within a high-profile development, where extra scrutiny on quality was always a factor. This coordination with other contractors entailed using a shared loading bay and following stringent logistical plans to move operatives, materials, and plant on and off the project.

The on-time delivery of the job to such a high standard is indicative of the adaptability and innovation of our project team.

RESIDENTIAL

Our residential business is one of the UK's leading developers and contractors, operating primarily in London, the South of England, and Wales. Working in partnership with the public sector, we build quality mixed-tenure schemes that create better places and greater opportunities for communities.

£310m
TURNOVER

£2bn
FORWARD ORDER BOOK

365
PEOPLE

21%
GROWTH IN HEADCOUNT

2.5 YEARS
SINCE A REPORTABLE INJURY

739
HOMES COMPLETED

42
PASSIVHAUS HOMES COMPLETED

119
HOMES SOLD

2,605
HOMES UNDER CONSTRUCTION

> "IN 2022, WE GREW OUR HEADCOUNT BY 21%, AND NOW HAVE 365 PEOPLE."

Our guiding principle is that everyone deserves a great place to live. The regeneration schemes we deliver are about much more than bricks and mortar. We focus on building sustainable communities that put local needs first, employ local contractors and create training and employment opportunities for local people.

In 2022, we grew our headcount by 21%, and now have 365 employees. Turnover for the year was £310m.

New challenges

A unique set of global headwinds created a challenging operating environment for us in 2022, but the strength of our relationships with both customers and suppliers meant we were able to thrive in these tough conditions.

Cost inflation continues to be a concern, affecting businesses throughout the built-environment sector. We will mitigate the impact of inflation through the long-term relationships we have established with direct suppliers in our supply chain.

We have also sought to meet our customers' desire for environmentally sustainable homes, by exploring new and innovative ways to increase energy efficiency. Our pledge is to continue to deliver homes which are truly affordable, desirable, and sustainable.

RESI AWARDS WINNER

A year of achievement

We are proud to have won the Climate Crisis Initiative Residential award at the 2022 RESI Awards for our work alongside Cardiff Council on the low-carbon scheme at Eastern High/Aspen Grove, part of the 1,500-home Cardiff Living partnership.

We were also pleased to hand over homes for several key strategic partners, including Be First, Cardiff and Havering Councils, and Orbit Housing Association.

Safety is always our priority, and so we are proud to have recorded zero reportable safety incidents (RIDDORs), for the second year running in 2022.

We were nominated for a Building Award for our work to create social value at our Park East and Gascoigne projects. One of our key aims for 2023 is to further expand on the social value proposition across all the communities in which we work, focusing on finding ways to help people furthest from the workforce into employment.

Looking ahead, we have a pipeline of more than 6,000 homes at various stages of development for our housing association and local authority partners.

"I am extremely proud of the quality homes we are delivering together with our public sector partners. Given the exceptional economic challenges people are facing, the provision of fuel-efficient, affordable homes is even more paramount. All the homes we handed over 2022 were EPC B or above.

I am also proud that our projects have been recognised with national awards for their environmental credentials, and thankful to our people and supply chain, who have helped us to find effective ways to continue delivering homes that will benefit communities for years to come."

HELEN BUNCH
EXECUTIVE MANAGING DIRECTOR, RESIDENTIAL

CASE STUDY

EMBEDDING SOCIAL VALUE

Beacon Programme, Wandsworth

We are committed to embedding social value throughout our business and across all our projects. In 2022, we piloted our innovative Beacon Programme in Wandsworth, which gives Year 12 students a real experience across all the different roles in our industry.

In 2023 the scheme will be rolled out further, with Wates mentors helping students with their university applications, interview techniques and revision.

In 2022 we also launched a new education programme that will give young people hands-on experience of how using green technology in their own homes can support the transition to Net Zero.

The programme will include House of the Future kits, made from recycled materials. The kits will be used in technology lessons in support of the UK government's sustainability and climate change strategy for education.

CASE STUDY

CUTTING OUT THE CARBON

Cardiff

We have been introducing more and more low-carbon technologies in homes across our portfolio in 2022, including at the award-winning Aspen Grove project, part of the 1,500-home Cardiff Living development partnership.

We also handed over 42 homes built to Passivhaus standard at Highfields in Cardiff, as well as 76 homes we are building to both Passivhaus low-energy and AECB standards at our Winnall project for Winchester City Council.

These homes have been designed to have such a low heating demand that they will not require conventional heating, thereby producing a 41% reduction in energy use and carbon emissions.

Consistent with the wider Group's environmental imperatives, we have also been focused on delivering greater biodiversity across our projects. This can often be challenging in inner-city developments, where there is minimal space to make a material impact, but we continue to look for a better way. An example of this is at New Green in Rainham, Havering, where we worked with partners to plant appropriate tree and plant species in communal gardens and on roofscapes.

CASE STUDY

COMPLETING LOCAL AUTHORITY HOMES

Erith, and Barking & Dagenham

Despite the tough economic headwinds, we have continued to deliver new homes for our local authority and housing association partners.

Working alongside housing association Orbit, we handed over 320 apartments at the Park East regeneration project in Erith. The scheme saw the overhaul of a tower block estate into a new mixed-tenure community of modern family homes.

We were also able to hand over 200 homes for Barking and Dagenham Council at its Gascoigne West Phase 1 site, with work on another 386 homes in Phase 2 well underway.

Councillor Darren Rodwell, Leader of Barking and Dagenham Council said: "The redevelopment of the Gascoigne neighbourhood is one of the largest and most ambitious in London. Once completed it will be a model of green, urban living delivering genuinely affordable homes, treeline courtyards and streets and spaces for local families and people to live, enjoy and thrive."

CASE STUDY

LEADING THE MODULAR REVOLUTION

Cardiff

We have been leading the way when it comes to using modular and offsite building techniques. In 2022, new tenants moved into the highly energy efficient modular homes we developed in Roath, part of the Cardiff Living project with Cardiff Council.

The homes were the first in the city to be built using modern methods of construction (MMC), and the project was nominated for a Building Award.

Krzysztof Kaniewski, a tenant on the scheme, said:

"There are solar panels on the roof, everything is electric, which is great because gas prices are going through the roof."

We are now rolling out MMC and modular construction on more projects, such as in Havering, where we have utilised prefabricated bathroom pods, utility cupboards and balconies on behalf of the council, all made offsite. In Barking, we are using pre-cast facades with windows already factory fitted, giving greater reassurance on build quality, particularly in relation to the new Building Safety Act.

SUSTAINABILITY REPORT

Wates is passionately committed to becoming an ever-more sustainable business. The principles set out in our Guiding Framework have helped to enshrine practices and behaviours that ensure we and our partners have a positive impact on the environment and on the people we work with and for.

307
QUALIFIED MENTAL HEALTH FIRST AIDERS

SICKNESS ABSENCE DOWN
68%

95
WATES INNOVATION PARTNERS

£163m
SOCIAL VALUE GENERATED

£7m
SPEND WITH SOCIAL ENTERPRISES

53%
REDUCTION IN SCOPE 1 AND 2 CARBON EMISSIONS

87%
ENERGY PURCHASED FROM RENEWABLE SOURCES

LEADING HEALTH AND SAFETY RECORD:

ACCIDENT INCIDENT RATE – **DOWN 35%** IN SIX YEARS

OUTPERFORMING THE INDUSTRY AVERAGE **SEVEN YEARS IN A ROW**

LOST TIME INJURY RATE **DOWN 77%** IN SIX YEARS

ACCIDENT FREQUENCY RATE 0.04 – **DOWN 71%** IN SIX YEARS

All figures calculated using 100,000 hours worked.

"WE ARE PROUD THAT, IN 2022, WE DELIVERED YET ANOTHER YEAR OF INDUSTRY-LEADING SAFETY FIGURES"

As a business, we will always aim to work safely in delivering services and products of the highest quality for our customers in a way that aligns with our Group sustainability aspirations.

We are proud that, in 2022, we delivered yet another year of industry-leading safety figures, while making significant progress in our aspiration to eradicate carbon and waste from our operations.

However, we are aware that sustainability is an ongoing journey, and so we are continually working on ways to improve processes and business operations to make sure we leave behind a better world.

ZERO HARM

Our commitment to health, safety and wellbeing

The Group is firmly committed to ensuring the physical and mental health, safety and wellbeing of our employees and all stakeholders. It's central to everything we do, and it is our ambition to provide the best working environment and safest practices anywhere in the sector.

The Group is proud of our industry leading injury and accident record, as well as the steps that we have taken to improve wellbeing in every sense and to cultivate a healthy, happy workforce.

"...TOTAL INJURIES HAVE FALLEN BY 72%"

An ever-improving safety record

We launched our 'Zero Harm; We're Safer Together' initiative in 2016 and, since then, almost every safety metric has shown significant and regular improvement.

The number of Lost Time Injuries has reduced by 72% in the six years since the launch, with a total of 14 recorded in 2022 marking an all-time low. Our lost-time injury rate is down 77% and our Accident Frequency Rate is currently 0.04 down 71% over the same period.

The Accident Incident Rate (AIR) in 2022 was 84, down from 110 the previous year, and represents a 54% improvement on 2016 – the first year of 'We're Safer Together'. This also marks the seventh consecutive year in which we have outperformed the industry average on this key metric as recorded by both the Health and Safety Executive (HSE) and BuildUK.

These results are achieved due to the unwavering commitment to safety from our shareholders and executive leadership team. Our businesses commit to achieving Zero Harm each year and in 2022 our FM, fit out and refurbishment and residential businesses exceeded our expectations. There were c5 million hours worked across our fit-out business without a lost time injury (see case study p62); our residential business worked in excess of 6 million hours since the last reportable injury and our FM business has worked four years and six months since its last lost time injury.

We measure the most serious near misses using a High Potential scale and in 2022 we recorded the fewest High Potential events since we started tracking. Four High Potential events occurred during the period compared to 21 in 2017. Although these High Potential events don't result in injury to workers, we investigate them to prevent reoccurrence as though an injury has occurred.

To help our people develop better and better on-site practice, we launched the StopGo app in 2018, allowing workers to observe and report on safe practices. In 2022, 84,000 StopGo observations were reported, taking the total number of reports since the app was launched beyond 417,000.

Looking ahead, Wates has developed a new 'three simple steps' approach for our employees to be able to lead the way in moving beyond the Zero Harm targets. The steps are:

- Step out and see the view: encouraging workers to stop and look at their site or work area with fresh eyes to assess conditions and safety hazards
- Step up and make things clear: making sure that Wates' visual standards are on display, understood and are being adhered to
- Step change and lead the way: focusing on behaviour, this encourages staff to lead by example to change behaviour and attitude when it comes to safety.

Mental health

The mental health of our people is just as important as physical health. We have continued to train Mental Health First Aiders in 2022, with an additional 28 trained, growing the business-wide network to 307. In addition, our voluntary in-house Mental Health First Aid instructors have given back to the communities in which the Group operates by training 98 people from our supply chain and client partners in Mental Health First Aid.

At the end of 2021, we pledged to reduce by 10% the number of mental health absences related to work through a programme of training, promoting the support available to staff, and better management of workplace pressure. In the 12 months from January 2022, we recorded 2,239 days absenteeism because of mental health-related causes, an improvement of 1,405 days. This included 33 cases that were work related, a 20% improvement from 2021. Sickness absence in general has seen a reduction of 8,866 days in the total number of sickness days lost, a 68% improvement from 2021.

In 2022, we also continued our journey towards better understanding of suicide and creating suicide safer communities. A further 40 training places were offered to employees on Wates' Applied Suicide Intervention Skills course, adding to the growing number of suicide first aiders since a company-wide campaign to raise awareness was launched in 2020.

Our sites and offices carried out 828 wellbeing events during 2022 across 184 active contracts all positively impacting the wellbeing of employees and the communities around them.

CASE STUDY

A FITNESS FORTNIGHT

"FITNESS FORTNIGHT IS OUR ANNUAL EVENT DEDICATED TO WELLBEING"

Fitness Fortnight is our annual event dedicated to wellbeing. The aim of the fortnight is to engage, educate and raise awareness of health issues, and of the help available to support people's mental health and wellbeing within the business.

A Group calendar of events is put together, with employees encouraged to get involved in at least one event during the fortnight. Regions and local teams build on this by arranging their own local activities that extend to our supply chain.

Fitness Fortnight in 2022 saw businesses, office and site teams come together to enjoy wellbeing walks, coffee mornings, smoothie bike challenges, reflexology, massages, breathing workshops, mindfulness, meditations, and even a 'Zen Bus' at our head office in Leatherhead.

CASE STUDY

FITTING OUT A ZERO HARM BUSINESS

Of all Wates Group's businesses, our fit-out specialist Wates Smartspace is the one which has recorded the most impressive safety record since the launch of 'We're Safer Together'.

By the end of 2022, it had achieved 870 days worked without a lost-time or RIDDOR injury – that's a total of nearly 3.8 million working hours. The business has completed 1,100 projects in that time, demonstrating how a commitment to safety can provide a massive boost to productivity.

This impressive performance has come about because the senior team has sought to create a culture of collective responsibility when it comes to the management of health, safety and environmental concerns, so that all our people understand their own role in achieving Zero Harm. The business has a dedicated SHEQ (sustainability, health, environment, quality) strategy, which focuses on safety and compliance with Wates' overarching Operational Framework. Specifically, the business has reduced the potential for accidents by concentrating on supervision, visible leadership and observational reporting. To demonstrate this focus, there were 505 visiting manager reports between January and October 2022, with 1,112 actions raised. Monthly reporting of safety stats ensures that managers remain accountable for the safety performance on site.

“821 DAYS WITHOUT A LOST-TIME OR RIDDOR INJURY... A TOTAL OF NEARLY 3.8 MILLION WORKING HOURS”

“WE ARE DETERMINED TO CREATE MORE OPPORTUNITIES FOR PEOPLE WHO ARE CONSIDERED FURTHEST FROM THE WORKFORCE”

SOCIAL VALUE

The creation of truly sustainable places and projects can only be achieved if these projects also serve to create real social value in the communities where they are delivered. In recent years, we have gone further still in our ambition to embed social value in everything we do by ensuring that social value data is measured and reported. To do this, we use both our TOMs (themes, outcomes and measures) methodology and our Social Value portal to record data on larger projects.

Wates' five-year social value strategy – Creating Opportunities – was launched in November 2020 and is now beginning to deliver on some of the promises made at its inception. The strategy has three central themes, each of which comes with ambitious targets:

- Challenging inequality
- Inspiring and educating young people about built environment careers
- Supporting and scaling the social enterprise sector.

Challenging inequality

As part of our strategy, we are determined to create more opportunities for people who are considered furthest from the workforce (FFW). We have therefore committed to recruiting one person from one of six identified marginal FFW groups on every contract we win by 2025. In 2022, that commitment has seen us begin to support individuals from Category D prisons to take up roles on our projects (see case study p.64).

We have also strengthened our partnership with The Prince's Trust and Manpower to recruit, train and support 16-24-year-olds at risk of long-term unemployment through the government's Kickstart programme. A total of 23 young people joined us through the programme, with 43% of them progressing to a job with Wates or elsewhere.

Education

We partnered with the Green Schools Project for the 2021/2022 academic year to deliver a programme of environmental sustainability workshops and teacher training at seven schools located close to Wates projects.

A total of 113 pupils were directly involved in 'Eco-teams' set up as part of the programme to take on specific local projects, while the wider impact at the participating schools reached 2,417 children.

As part of the programme, we helped the schools run sessions to develop pupils' understanding of sustainable construction by giving them the opportunity to redesign their schools using sustainable design principles.

The programme will be extended for the 2022/2023 year, with seven schools taking part in a carbon-reduction awareness programme.

Supporting social enterprise

As part of our five-year social value strategy, we have committed to spending £45m with social enterprises by 2025. We have exceeded that target already, with £45.6m spent in total, including £7.2m in 2022. We have since set a stretch target of £55m for 2025.

We have also continued our work supporting social enterprises to achieve national scale through our ASSETS business mentoring programme, with a second cohort of mentee organisations joining in summer 2022. Through the programme, delivered in partnership with Impact Hub Kings Cross, we and our partners provide expert-led workshops on securing investment, resilience, and growing networks, among other topics.

Charity partnership

In the fifth year of our partnership with TCV, we supported them to connect people with nature and transform green spaces. In May, 114 colleagues participated in dragon boat races in Leeds, Nottingham and Henley to raise £45k (including match funding from Wates Family Enterprise Trust), and in December we planted our first Miyawaki, a tiny urban forest, in Brent.

CASE STUDY

HMP LEYHILL

Working with specialist recruitment firm O'Neill & Brennan's Constructing Futures programme, Wates was able to support its first candidate from HMP Leyhill in Gloucestershire as part of our commitment to hiring ex-offenders and other marginalised people on its projects.

We deployed a hands-on, collaborative approach when negotiating with all parties over the day release and deployment on site of the individual. This saw our Social Value and Project Management teams work closely with O'Neill & Brennan's Social Value and Regional Account Management and staff at the Category D prison.

Despite logistical and communication challenges, such as Leyhill inmates not being allowed mobile phones, the project team navigated its way through and have received resoundingly positive feedback from colleagues on site.

Following this success, in Autumn 2022, Wates launched a pilot training programme to raise awareness about the recruitment of ex-offenders. This aims to upskill colleagues and supply chain partners in the psychological and practical considerations around recruitment of prison leavers.

CASE STUDY

LITTLEBOROUGH COMMUNITY PRIMARY SCHOOL

The Eco Team at Littleborough Community Primary School in Rochdale, one of seven schools which received Wates Green Schools environmental sustainability workshops, was made up of 12 enthusiastic and environmentally conscientious pupils, ranging from six to 11 years old.

The self-styled Eco Warriors ran various projects through the school year, from a poster competition aimed at reducing litter to learning about composting to grow fruit and vegetables and reduce waste at the school.

Support at the school came from Rasheed Lawal, a student at Salford University completing a master's degree in sustainability who is also a qualified teacher. The team working on the project was so impressed with Rasheed's knowledge and enthusiasm through the year that he was hired as a sustainability intern working in our construction business at the end of the programme. Since January 2023, he has been employed in a permanent role as an assistant site engineer.

SUSTAINABLE INNOVATION

> "...ITS ROLE IS ONLY SET TO GROW GIVEN THE PRIMACY OF THE NET ZERO AGENDA OVER THE NEXT DECADE"

For the past seven years, through our Sustainable Technology Services, we have supported our businesses and our customers to identify, trial, and implement innovative, sustainable technology. The service was launched as a response to customers' growing demand for new products that can improve their buildings' energy performance.

It has become a vital tool in both our and our customers' decarbonisation journeys, and its role is only set to grow given the primacy of the Net Zero agenda over the next decade.

We search for sustainable solutions being developed at small businesses and start-ups outside of Wates. These are then assessed by a technical advisory panel and, once approved, are added to the Wates Innovation Network (WIN) portal – a first-of-its-kind and free-to-use network launched in 2021 that connects built environment customers to market-leading sustainable innovations and services. The portal now has a marketplace of 95 sustainable innovations. The portal was named as Campaign of the Year in the inaugural Energy Saving Awards in 2022.

More than 100 connections have already been made via the WIN Portal, with many resulting in trials that have produced tangible operational and environmental savings for end-users.

We are using the WIN portal to unearth and champion new sustainable innovations for the built environment, giving suppliers the opportunity to connect their products with customers.

Our stated aim of boosting the industry's move towards net zero carbon is helped significantly by the number and scope of the businesses – many of which are start-ups and SMEs – to which we can now connect customers.

CASE STUDY

WATERBLADE

Wates Innovation Partner

Producing an easy-to-use tap adaptor that reduces water consumption by more than half, Waterblade was one of the first companies to be an innovation partner, and its journey since then shows how useful the platform can be for growing businesses.

Becoming one of our first partners in 2016 gave Waterblade high level introductions to potential clients and exposure to the corporate marketplace. Furthermore, by seeing its technology trialled in more settings, it allowed it to collect invaluable information about its real-world performance.

The company's introduction to Standard Chartered saw it collect trial feedback data from 10 countries, which led to sales in five. Through us, Waterblade has subsequently had trials and rollouts with a host of other customers, including Lloyds Banking Group and Credit Suisse.

Having had just a handful of customers when the partnership began in 2016, Waterblade now has several thousand. Nigel Bamford, inventor and director of Waterblade, describes working with us and the innovation network as having had "an overwhelmingly positive influence" on the company's growth and development.

"Being part of the Wates Innovation Network has completely changed our business," he adds. "We have been able to work with large public and private organisations, something that simply would not have been possible without the great support from the Wates team."

ACHIEVEMENTS

We're collaborating with our supply chain

86.6% of our power is from renewable sources

We are a signatory of "Terra Carta" founded by King Charles, that puts nature, people and planet at the heart of value creation

A member of the UK Green Building Council. It means we have a seat at the top table

Our market ready zero carbon retrofit service

Procedures to calculate carbon and waste targets from all sites

We were an early adopter of the Task Force on Climate-related Financial Disclosure reporting

£90m Sustainability Linked Loan facility agreed

We're using modular construction methods

Robust company-wide online reporting system using ema

99% of our waste does NOT go to landfill

We developed a nature guidebook

Ambitious targets on waste, carbon and nature

Embodied Carbon and some Scope 3 emissions calculated on selected projects

1,050 whole house retrofits completed

We are transparent about how much carbon we produce and the impact our emissions have on the environment

Near-term science-based target validated by the SBTi

We're transitioning our fleet to electric and trialling new electric powered plant like excavators

OUR COMMITMENTS

20% Biodiversity net gain by 2025

We will work with our supply chain partners to reduce and record the embodied carbon of the materials we use

Become carbon neutral for our Scope 1 and 2 emissions

Achieve a pre-manufactured value (PMV) of 65%

Work with our supply chain to minimise waste and develop circular economy solutions

Combustion engines to be replaced by electric solutions

We will use the design process to optimise the use of materials and minimise embodied carbon

We will persuade the rest of our supply chain to reduce its carbon and waste

Achieve our science-based targets

We will create places that produce zero carbon in operation, that connect to sustainable infrastructure, and won't create waste at the end of their life-span

Working with conservation charities and trusts to enhance landscapes where we build

Design and implement low carbon and low energy technologies in the buildings we construct

> "WE ARE CONSIDERING THE LONG-TERM ENVIRONMENTAL IMPACT OF ALL THE PROJECTS WE WORK ON AND THE BUILDINGS WE DESIGN, BUILD, AND MAINTAIN"

ENVIRONMENT

When we launched environmental targets in January 2020, we became one of the first organisations in the built-environment sector to commit to being carbon neutral from its Scope 1 and 2 emissions. We further committed to generating zero waste from our operations and to having a positive impact on nature from all operations by 2025. Since setting these targets, we have gained a greater understanding of the challenges they present. Furthermore, the discussions around climate change, modern methods of construction (MMC) and biodiversity have all moved on significantly. We are therefore working on a revised Environmental Sustainability Plan that is being launched alongside this document.

A key area of focus for 2022 was the roll-out of our Environmental Metrics App (ema), a new internal reporting platform to simplify and improve environmental reporting across the Group's business units.

The new plan sets out immediate short-term and longer-term targets for the business and our supply chain to work towards. Having short-and long-term targets is particularly important in terms of efforts to reduce greenhouse gas (GHG) emissions, but they are also helpful in areas such as resource efficiency and having a positive impact on nature, as they can drive change across the value chain. This focus means the Group is considering the short- as well as long-term environmental impact of the projects we work on and the buildings we design, build, and maintain. Taken together, this means we can be a better partner on our customers' own sustainability journeys.

Working towards net zero

Wates is committed to leading the sector by example when it comes to decarbonisation by becoming a Net Zero carbon company. To coincide with the 2021 COP26 climate summit in Glasgow, we set out our formal science-based targets under the Science-Based Targets initiative (SBTi), a UN-backed initiative to work with companies to reduce emissions. Our near-term science-based target was externally validated by the SBTi in October 2022.

The target is as follows:

- Wates Group commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 46.2% by 2030 from a 2019 base year.
- Wates Group commits that 89% of our suppliers by emissions covering purchased goods and services, will have science-based targets by 2027.*

Separately, the Group has committed to achieving Net Zero[3] by 2045 and we will be submitting a further science-based net zero target on that basis.

In the short term, our goal is to be carbon neutral[4] from our operations and vehicles by the end of 2025.

The commitment to net zero is not only one that we feel is the right thing to do, but also a sound business decision. There has been an increased focus on environmental performance when customers assess tenders for contracts, while many of the frameworks the Group has tendered for are requesting that bidders demonstrate their commitment to net zero.

In 2022, we supported the redrafting of the government's Construction Playbook, which now makes specific reference to net zero throughout. A separate 'Promoting Net Zero Carbon and Sustainability in Construction' guidance note now provides further guidance for those procuring construction and infrastructure projects and programmes in the public sector. Many private sector customers are also requiring Tier 1 contractors to demonstrate the steps they are taking to decarbonise.

Our net zero commitment extends to us helping our customers and partners on their own decarbonisation journeys wherever possible. Our Residential business, for example, has built its first 100% affordable Passivhaus scheme in Highfields for Cardiff City Council. As part of the scheme, we are undertaking whole-life carbon and circular economy assessments for Cardiff to inform future projects.

In our developments business, the new homes delivered through our housebuilder joint ventures have delivered an average EPC (Energy Performance Certificate) rating of B, ahead of the legislative average rating of EPC C due to be in force in 2025. We are refining our approach to reducing carbon in the homes that we seek to secure planning approvals on in the future, to ensure all are energy efficient.

Our housing maintenance business, meanwhile, has launched a zero-carbon retrofit programme for social landlords – Wates Retrofit – joining forces with energy efficiency specialist Energy Specifics on a 'whole house' retrofitting service to help homes achieve the government target of an EPC (Energy Performance Certificate) rating of C or above by 2030. During 2022, retrofits were completed on around 857 properties, with a value of £15.4m. This is up from 193 properties in 2021.

* The target boundary includes land-related emissions and removals from bioenergy feedstocks.

[3] Net Zero is defined as achieving a scale of value-chain greenhouse gas emission reductions consistent with the depth of abatement achieved in pathways that limit warming to 1.5°C with no or limited overshoot and neutralising the impact of any source of residual emissions that remain unfeasible to be eliminated by permanently removing an equivalent amount of atmospheric carbon dioxide.' For Wates this covers Scopes 1, 2 and 3.

[4] Carbon neutral – when an organisation has measured, reduced, and offset its carbon emissions. In this context, we are striving to be carbon neutral for our Scope 1 and 2 emissions.

CASE STUDY

WATES RETROFIT

In response to the growing need to make housing stock more energy efficient in the build-up to the government's 2030 Net Zero deadline, in June 2022 we launched Wates Retrofit.

Wates Retrofit is designed to guide our customers through every step of their retrofitting journeys, from planning and applying for funding, to installing, and finally monitoring performance.

The formal launch of Wates Retrofit came two years after we began working collaboratively with our social landlord customers to retrofit their ageing stock, to help them fulfil their pledges to being all properties up to EPC C band by 2030.

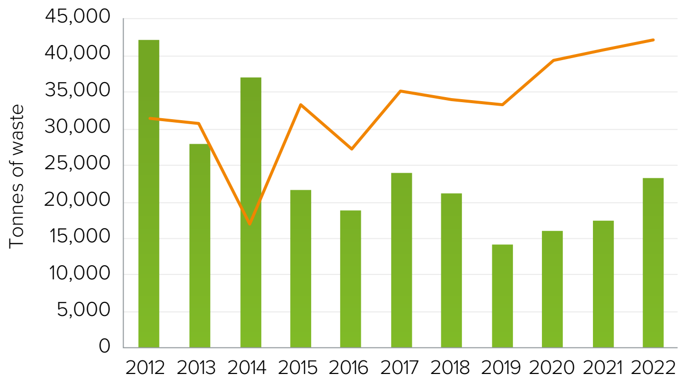
Our goal is twofold: as well as supporting our customers on their decarbonisation missions, we are also helping tackle fuel poverty for their residents. So far, we have installed energy efficiency measures at more than 1,050 homes, with over 1,630 either in progress or in the assessment and design phase.

At Brent, in northwest London, we worked with the local authority on a pilot retrofit project, which has laid the foundations for a wider programme. On the pilot, which involved three Edwardian mid-terrace flat conversions, we raised the properties from EPC band F to EPC band C and B, while reducing their predicted annual carbon emissions from 6.8 tonnes to -0.5 tonnes.

This was achieved through a fabric-first approach to tackle heat loss, with several measures added to reduce energy consumption, such as external wall insulation.

Throughout the project, our team worked closely with Brent Council to evaluate the cost effectiveness of the measures we installed, with the aim of understanding the impact of these measures for future retrofitting work. By doing so, we helped make the project scalable so it can have impact beyond the homes we directly worked on.

"DURING 2022, RETROFITS WERE COMPLETED ON AROUND 857 PROPERTIES, WITH A VALUE OF £15.4M."



> "ESTABLISHING ROBUST TARGETS AND MEASURES FOR OUR IMPACT ON NATURE IS A MAJOR PRIORITY"

Resource efficiency (zero waste)

We have pledged to produce zero waste from our operations by 2025. However, although our overall waste has reduced significantly in the last 10 years, our waste has increased over the last two years.

One of the reasons for this is that we have improved the accuracy of our waste reporting. In 2022, we reduced the number of waste providers from 35 to seven to improve control over the level of service provided and streamline reporting. The waste data presented does not account for waste handled by logistics providers or subcontractors which we aim to collate in the future.

What has emerged is that the design and work packages can have a significant impact on waste volumes. For projects to meaningfully design out waste, they need to embrace MMC wherever possible. One way to measure the adoption of MMC is to track pre-manufactured value (PMV) across construction activities. PMV is the cost of offsite materials and labour as a proportion of the total cost of the project. We have a PMV target of 65% for 2025 and will task our subcontractors to adopt MMCs where possible to drive down waste and improve productivity.

We will retain a zero-waste target but will push this back until 2045 as part of our new plan to bring us in line with the timescales proposed by the Construction Leadership Council. We will support our suppliers and subcontractors in their efforts to offer zero-waste solutions as soon as possible.

To demonstrate the benefits of MMC, we have entered a three-and-a-half-year collaboration with Exeter University to demonstrate the environmental, safety and qualify benefits of adopting MMC.

Also in 2022, we have continued to trial closed-loop recycling and reuse schemes such as Globechain Pallet Loop and Community Wood Recycling, a social enterprise that creates products out of reclaimed wood.

Positive impact on nature

In 2020, we committed to delivering a positive impact on nature from all our operations by 2025, while simultaneously increasing the value and community benefit of nature in all areas where the business operates.

Establishing robust targets and measures for the Group's impact on nature is a major priority and we are working on ways to make Biodiversity Net Gain (BNG) assessments a mandatory feature of our construction, residential and development projects. Throughout 2022, the Group has worked with our businesses to agree a new aggregate BNG target, with the aim of achieving a 20% improvement on baseline biodiversity value where possible.

In addition, we developed a 'Nature Guidebook' to act as a one-stop shop for nature-related guidance and best practice for the Group. The guidebook consists of:

- guidance on managing nature-related risks and opportunities against the seven RIBA stages
- advice on relevant legislative and customer-specified standards/requirements, including biodiversity net gain
- highlighted opportunities which add value through incorporating nature into the design, construction, and maintenance of a project

> "WE PLANTED A WILDFLOWER MEADOW, RAIN GARDEN AND BIODIVERSE GREEN ROOF"

CASE STUDY

BIODIVERSITY NET GAIN

at the University of Portsmouth

With changes to the Environment Act expected in late 2023 all planning permissions granted in England will have to deliver at least a 10% biodiversity net gain (BNG) – a 10% improvement in biodiversity – on pre-development levels.

We are already encouraging our projects to meet this target, with a view to all future projects working towards a more challenging target of 20%. We also are working towards other standards that incorporate BNG metrics such as BREEAM – the leading sustainability assessment method.

At the University of Portsmouth's Ravelin Sports Centre, completed by our construction business in 2022, biodiversity measures were incorporated into the design, resulting in a BREEAM[5] Outstanding rating for the project. It set new standards for sustainability and energy efficiency in indoor leisure facilities, not only being rated as one of the country's greenest sports facilities, but also becoming the UK's first leisure centre with a swimming pool to be BREEAM Outstanding.

Alongside the impressive sports facilities – an eight-court sports hall, eight lane 25m swimming pool, 175-station fitness suite, studios, squash courts, climbing wall and ski simulator – it generates renewable energy, from solar panels on the roof and internal heat recovery systems.

Natural light and ventilation are used to minimise energy usage with water conservation such as re-using the pool water for toilet flushing. Outside the centre, we planted a wildflower meadow, rain garden and biodiverse green roof, adding beehives which significantly increased ecological value. Tree protection and root protection orders were put in place and arboriculture advice was taken early on to ensure the design incorporated the best trees on the site. While 36 trees were permanently removed to allow construction, these were replaced by 140 more in an urban orchard. Other trees were relocated, and fenced tree protection was put in place for the more vulnerable trees. Bat boxes and bird boxes were also installed to encourage both fauna and flora to proliferate.

[5] BREEAM: Building Research Establishment Environmental Assessment Method, the UK's most widely used environmental assessment method for buildings and communities

PROGRESS ON THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Alignment with the TCFD

We recognise that climate change is a key driver of change for society and for business and sustainability is one of the Group's six performance priorities. In 2020, we became an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), which provides internationally recognised recommendations for the reporting of climate-related financial information.

In 2021, we incorporated the TCFD framework into our annual financial disclosures and identified the key activities being undertaken to align ourselves with the recommendations of the TCFD. In 2022, we were recognised for our climate disclosures as well as the strong linkages between our overall strategy and performance by the PwC Building Better Trust Award for Reporting in Private Business.

These activities related to the four thematic areas: governance; strategy; risk management; and metrics and targets. In aligning ourselves with international standards, as set by the TCFD framework, the Wates Group is better equipped to adapt to climate-related risks and opportunities.

Governance

We established a TCFD working group to identify and manage climate-related risks and opportunities. This group has representation from across the business and reports into both the Sustainability Committee and the Executive Committee. The responsibilities of both the Sustainability Committee and Executive Committee are detailed on page 124.

Climate change is already a major factor in our strategy and the Group has begun working with our customers to deliver Passivhaus developments, Net Zero buildings and PAS 2035 and PAS 2038 retrofit schemes.

As part of our carbon reduction strategy, we have set a near-term science-based target which was validated by the Science-Based Targets Initiative (SBTi) in 2022. The Group has also committed to setting a Net Zero target under the SBTi.

Performance against our targets is tracked and reported to the Executive Committee every month. In 2022, we incorporated sustainability targets into the Personal Development Review process to ensure that progress on sustainability formed part of the assessment of individuals' performance. We also linked compliance with sustainability reporting to the bonus scheme.

Strategy: identifying climate-related risks and opportunities

We have identified and developed a deep understanding of the climate-related risks and opportunities that will impact on our business over the short (2025–2030), medium (2030–2040)[6] and long term (2050 onwards).

The Group developed two key climate scenarios: one which characterises the inherent physical risks associated with climate change under a high-emissions scenario and the other which addresses the transition to a low-carbon economy under a balanced Net Zero pathway scenario.

In a series of workshops in 2021, senior leaders from across the Group identified potential risks and opportunities posed to the business under the two scenarios. The impacts of both the transition and physical risks were considered, alongside the potential consequences and measures to mitigate the impacts. The working group concluded that, under a balanced Net Zero pathway scenario, the transition risks and opportunities are likely to have a more material impact on us in the short and medium term. Physical risks are more likely to impact our operations in the long term.

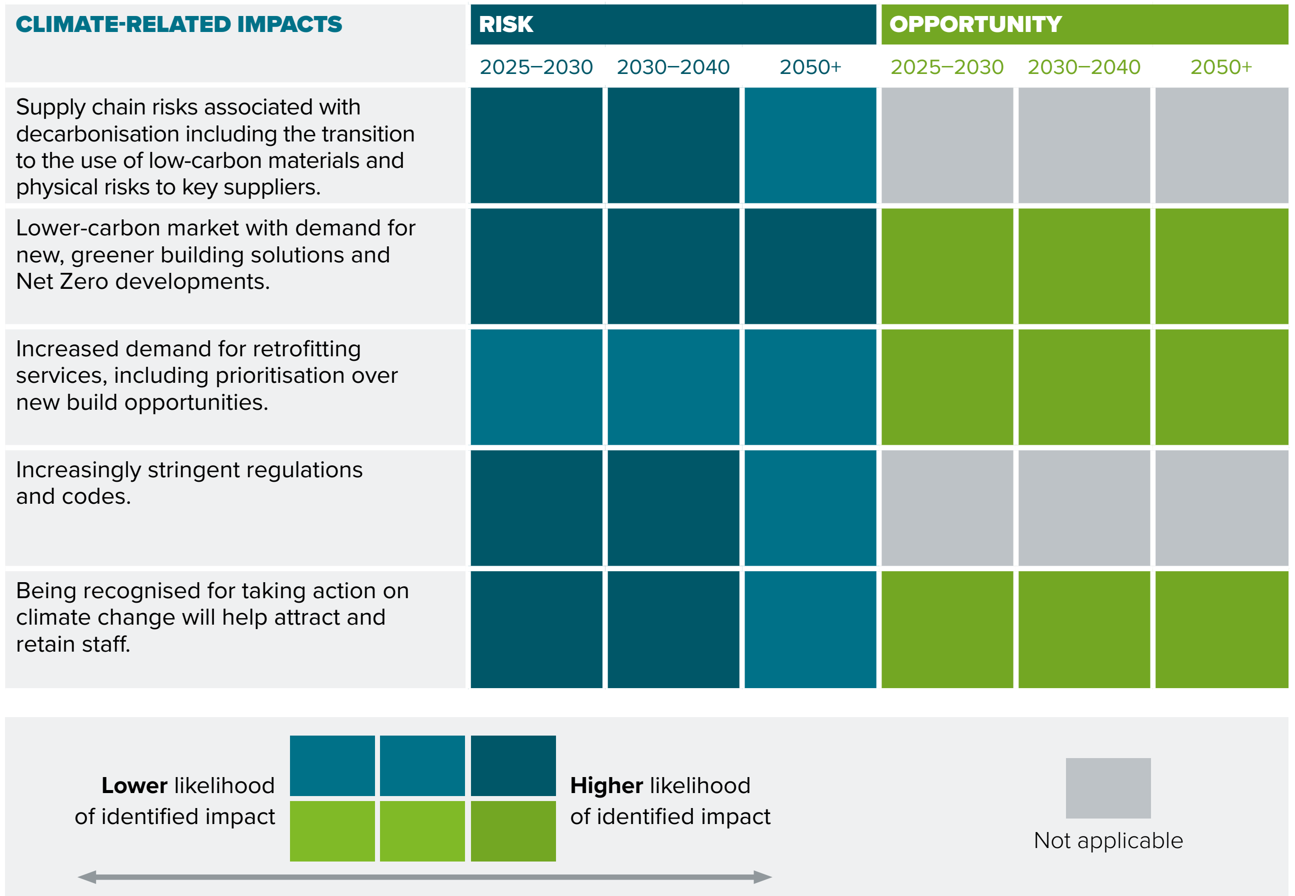
In 2022, we ran another workshop to identify relevant risks and opportunities as part of a horizon scan exercise. While the risks and opportunities identified in 2021 still stand, we identified a further transition risk around people which has been included in this years' disclosure.

[6] Three time horizons have been selected, focusing on the short, medium and long-term risks and opportunities. The period between 2040 and 2050 is not covered, as our aim is to look at 'mid-century' risks around 2050 rather than a specific set of dates. This is because the science and predictions around short-term and medium-term physical risks are better understood. It becomes much harder to predict when these may materialise when looking at long-term risks.

> **"IN 2022, WE WERE RECOGNISED FOR OUR CLIMATE DISCLOSURES AS WELL AS THE STRONG LINKAGES BETWEEN OUR OVERALL STRATEGY AND PERFORMANCE"**

Climate-related impacts

The risks and opportunities most likely to have a material impact on the Group are disclosed in the following table.



Description of risks and opportunities

The Net Zero agenda is clearly both a key risk and huge potential opportunity for us. Given that the supply chain accounts for 83% of our total carbon emissions, the Group's interactions with our supply chain partners will have a material effect on the pace at which we can decarbonise. Rapid decarbonisation would result in fewer new build opportunities but an increased number of retrofit opportunities. 80% of the existing building stock will still be in use by 2050. The UK government has signalled that all private rented accommodation must achieve an EPC rating of at least C by 2028, and private rented non-domestic builds will need to have an Energy Performance of B or better by 2030; 87% of the current building stock will therefore need retrofitting which presents a significant commercial opportunity. Over the past two years we retrofitted 1,050 homes to PAS 2035 standards to improve their energy efficiency across 14 schemes. We are currently involved in 16 retrofit schemes for a further 1,630 homes worth over £30m.

In 2022 we supported our customers' bids for Social Housing Decarbonisation Funding (SHDF), which if successful would see us retrofit around 5,000 homes between 2023 and 2025.

In addition to round two of the £800m SHDF that is currently available, the Government's Autumn Statement in November 2022 committed it to spending a further £6bn on energy efficiency retrofit measures from 2025 providing a clear policy signal to the market.

Over the last two years, we have scaled our domestic retrofit programme from approximately £3.4m in 2021 to £15.4m in 2022. With the latest round of funding we are looking to secure a further £130m of projects over the next three years. The Chancellor's autumn budget announcement helped secure a future pipeline of work post 2025 and scale our operations accordingly.

Being able to attract and retain employees will be influenced in part on how sustainable we are as a business and how integrated sustainability is in our governance and decision-making processes. The requirement for companies like Wates to demonstrate tangible results that have a material impact is only likely to grow.

The measures identified to mitigate potential risks and maximise opportunities have been integrated into the strategy and governance of the Group and will guide our activities in the coming year.

While physical risks are less likely to impact our operations, the latest UK data suggests we can expect more intense rainfall events over shorter periods of time in the future under both climate scenarios. Overall summers are also projected to become drier. There is therefore the potential for less water to be absorbed by the soil and a greater risk of erosion and run-off. On the one hand this could lead to local authorities introducing more water-neutrality designations affecting future developments and on other hand, it could lead to more phosphates and nitrogen being washed into watercourses during periods of heavy rainfall, leading to restrictions on developments to be nutrient-neutral. At present, we do not believe that this causes a principal risk, but we will be monitoring developments in this area. We are also devising financial metrics to track climate-related impacts.

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"THE REQUIREMENT FOR COMPANIES LIKE WATES TO DEMONSTRATE TANGIBLE RESULTS THAT HAVE A MATERIAL IMPACT IS ONLY LIKELY TO GROW"

Risk management

Wates uses an enterprise risk management (ERM) framework to track our risks and opportunities. The findings of the climate scenario workshops have been reflected in our principal risk on 'Climate Change.' Where the findings guide other principal risks, these have also been identified, and are disclosed on pages 98-106.

Metrics and targets

To track progress against our 2025 carbon reduction target, we monitor our GHG emissions for our Scope 1 and 2 operations. We use both location and market-based approaches to report against our absolute GHG emissions as well as an intensity metric to track emissions against turnover.

The Group has defined the boundaries of our Scope 3 emissions and developed a baseline for 2019. Out of the 15 Scope 3 categories, 11 are relevant. Scope 3 emissions make up 98% of our GHG emissions. These were calculated using an environmentally extended input-output (EEIO) model. Our aim is to phase out the use of EEIO conversion factors over time and phase in the use of actual carbon data. Given that every project is different and effectively has its own supply chain, we are prioritising large spend categories first. This will allow us to build up a more accurate understanding of our carbon hotspots over time and collaborate with our supply chain partners and customers to reduce emissions.

In 2022, we calculated our 2021 Scope 3 emissions and published this on our website. We will continue to use our website to publish our Scope 3 data as it takes longer to collate this information than our Scope 1 and 2 data.

	ACTIONS	FY2020	FY2021	FY2022	FY2023
GOVERNANCE Disclose Wates' governance around climate-related risks and opportunities.	Coordinate actions to strengthen the Group's sustainability and improve Board oversight of climate-related impacts through three meetings per year of the Sustainability Committee.	Completed	Completed	Ongoing action	Ongoing action
	Appoint new Environmental Sustainability Director to lead on the Group's Net Zero transition and lead on TCFD disclosures. Monthly reporting on progress against sustainability targets to the Executive Committee.		Completed	Ongoing action	Ongoing action
	Establish a TCFD working group to report to the Sustainability Committee on progress against climate-related risks and opportunities on a quarterly basis.		Committed / started	Ongoing action	Ongoing action
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's business, strategy and financial planning, where such information is material.	Undertake scenario analysis workshops to identify physical and transition risks and opportunities over the short, medium and long term.	Committed / started	Completed		
	Incorporate climate-related risks and opportunities into business planning and strategy development.		Committed / started	Ongoing action	Ongoing action
	Quantify the impact of climate-related risks and opportunities on the business to inform strategy and financial planning.		Committed / started	Ongoing action	Ongoing action
RISK MANAGEMENT Disclose how Wates identifies, assesses and manages climate-related risks.	Integrate consideration of environmental risks, including physical and transition risks related to climate change, into the Group's strategic risk report.	Completed	Completed	Ongoing action	Ongoing action
	Include climate-related risks in the company's financial risk register.	Committed / started	Completed	Ongoing action	Ongoing action
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.	Continue to disclose Scope 1 and 2 greenhouse gas emissions in annual Streamlined Energy and Carbon Report (SECR) submission in line with Greenhouse Gas Protocol reporting requirements.	Completed	Completed	Ongoing action	Ongoing action
	Develop Scope 3 reporting boundary and baseline.		Completed	Ongoing action	Ongoing action
	Establish science-based targets and develop a supporting action plan to achieve emissions reduction targets and reach carbon neutrality by 2025.		Committed / started	Ongoing action	Ongoing action
	Establish metrics and improve data reporting to monitor performance related to identified risks and opportunities.		Committed / started	Ongoing action	Ongoing action

Committed / started   Ongoing action   Completed

STREAMLINED ENERGY AND CARBON REPORT (SECR)

"OUR AIM IS TO BE NET ZERO BY 2045"

Wates' Guiding Framework commits us to becoming more sustainable. In 2020, we set ourselves a target to become carbon neutral from Scope 1 and 2 emissions. Further in 2021, we committed to setting a formal near-term and net zero target under the Science-Based Targets initiative (SBTi) and signed up to the Race to Zero campaign committing to halve our Scope 1, 2, and 3 emissions by 2030 against a 2019 baseline. Our aim is to be net zero by 2045. Since then, we have had our near-term science-based target validated by the SBTi.

Reporting period

We are reporting for the calendar year 2022, providing 2021 and 2020 as comparative years and 2019 as a baseline year.

Environmental indicators

Wates operates an ISO 14001-compliant environmental management system for the Group, excluding Wates Developments and Needspace. Our management system ensures processes to capture greenhouse gas (GHG) data from our operations are in line with SECR reporting requirements and the GHG Protocol.

The different fuel types used during the compliance year are detailed on page 80. There were no incidents of fugitive emission losses in 2022 that would have increased our emissions.

Reporting boundary

The statutory entities included in our GHG reporting boundary for this report include all operations that fall under the Wates Group. Operations that fall outside of the Group's operational control have not been included, in line with GHG Protocol's operational control approach.

Measurement methodology

Our carbon footprint covers Scope 1, 2 and two selected Scope 3 emission sources which are business travel and waste. The footprint is calculated in accordance with the GHG Protocol.

Emissions from waste were reported for the first time in 2021 and we continued to capture this data in 2022. Waste data does not account for waste handled by logistic providers or subcontractors. Outputs are reported in MWh and CO_2e (carbon dioxide equivalent), using the most recent available conversion factors from the Department of Energy Security & Net Zero.[7]

- GHG emissions are reported using both the location- and market-based reporting methodology.
- The location-based method reflects the average emissions intensity of the UK electricity grid which is steadily decreasing.
- The market-based method reflects the emissions from renewable electricity tariffs that we have chosen to purchase that are backed by Renewable Guarantees of Origin (REGO) certificates. An emissions factor of zero tonnes of CO_2e per MWh has been applied in these cases accordingly.
- In 2022, 6.7 MWh of the Group's electricity supplies were from renewable sources backed by REGOs. Where REGOs were not available, a residual mix emission factor[8] has been applied.
- Further detail on the different fuel types has been provided in the energy table (see Table 2, page 80). In comparative years red diesel (gas oil) figures include kerosene. The business stopped purchasing Red Diesel in mid-March to meet the April deadline for not using red diesel in construction machinery and plant. This explains why there has been a reduction in red-diesel usage and an increase in diesel usage.
- Business mileage expenses are now shown as business travel.
- The Scope 3 data for business travel in 2021 includes GHG emissions associated with hotel stays and waste for the first time.

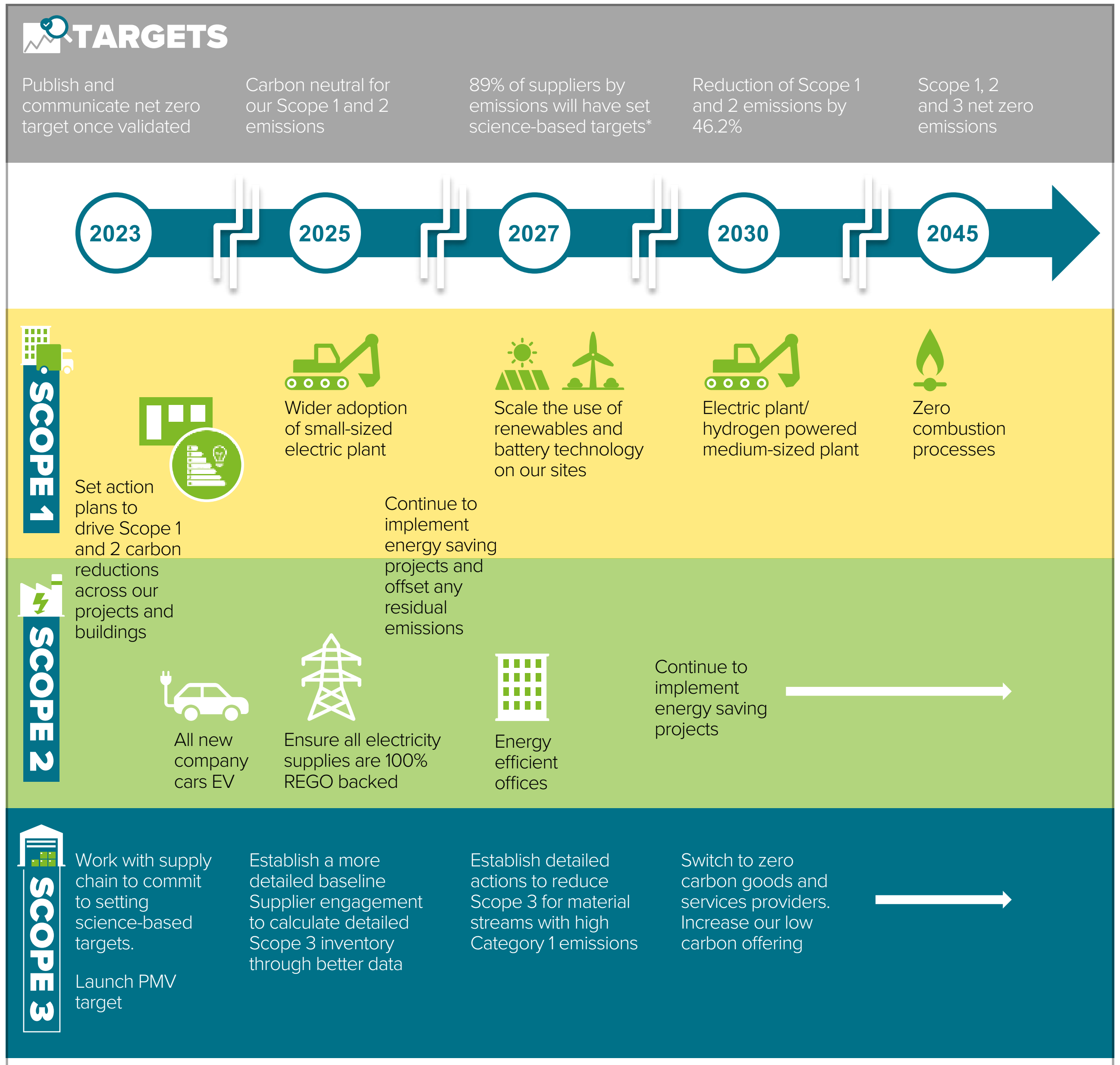
Adjustments

No adjustments to prior year data were made in 2022.

Energy and carbon strategy

The Group is committed to reducing our GHG emissions as detailed below:

Our carbon reduction roadmap is set out below.



*The target boundary includes land-related emissions and removals from bioenergy feedstocks

[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1005677/conversion-factors-2021-full-set-advanced-users.xlsm

[8] This defined by the GHG Protocol as, "default emission factors representing the untracked or unclaimed energy and emissions if a company does not have other contractual information that meets the Scope 2 Quality Criteria".

"DESPITE AN INCREASE IN GROUP TURNOVER OF 17.4% IN 2022, WE HAVE CONTINUED TO REDUCE OUR MARKET-BASED GREENHOUSE EMISSIONS AND OUR GREENHOUSE GAS INTENSITY RATIOS"

Scope 3

The Group has established a Scope 3 baseline for our 2019 operations and has since calculated our Scope 3 emissions for 2021. The vast majority (>98%) of the Group's emissions are Scope 3. The biggest contributor, at 83%, is products and services. We have calculated our emissions from the products and services category using the UK government's Table 13 tool, an Environmentally Extended Input Output model that uses spend data to derive emissions. Given the size of these emissions, it is evident we will need to work closely with suppliers to obtain more accurate data and collaborate to make progress toward net zero, which we have now started. Indeed, we have been working closely with partners such as the Supply Chain Sustainability School to support our supply chain set science-based targets and capture their carbon emissions.

Energy and carbon performance commentary

Despite an increase in Group turnover of 17.4% in 2022, we have continued to reduce our market-based greenhouse emissions and our greenhouse gas intensity ratios. Our performance against our 2019 baseline is as follows:

- Absolute location-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 52.7% from 14,273 tonnes to 6,758 tonnes.
- Market-based Scope 1 and 2 emissions measured in tonnes of CO_2e have reduced by 51.3% from 11,557 tonnes to 5,623 tonnes, a slight decrease of 26 tonnes on last year.
- Location-based intensity ratio for Scope 1, 2 and 3 emissions for business travel and waste reduced from 11.8 tonnes of CO_2e to 5.8 tonnes in 2022.
- Market-based CO_2 intensity ratio reduced from an initial rate of 10.1 tonnes of CO_2e in 2019 to 5.1 tonnes in 2022.
- The slight increase in Scope 2 emissions can be explained by an increase in non-renewable electricity used by projects when many supplies went on to deemed rates as a result of the war in Ukraine.
- Despite this, 86.6% of all electricity purchased by the Group was from renewable sources, higher than 2021, and a total of 6,714 MWh.
- The 2022 data shows a significant reduction in red diesel usage, from 4,086 MWh to 2,303 MWh which can be explained by the phasing out of red diesel in March (see above).
- Both petrol and diesel use for vehicles has increased significantly over the year. This is a result of an increase in activity for Wates Property Services (WPS), which now has a fleet of 670 vans. WPS is identifying options to transition its fleet to electric vehicles.
- However, expensed business mileage has increased significantly, with far more travel being undertaken by car. Train cancellations, reduced services and strikes led to more staff opting to travel by car. We also held more face to face meetings with customers and our supply chain partners in 2022.
- Overall, business travel is 55% lower than our 2019 baseline as a result of a preference for more virtual meetings.

Activities in 2022

We worked with our main plant supplier to identify more energy efficient plant and machinery that could be deployed on our estate and undertook product trials of new battery systems and electric plant with the intention of reducing the need for red diesel. We continued to trial the use of electric vans and worked with our fleet provider to offer both electric and hybrid solutions to company car drivers.

At the end of 2022, 72% of company cars on order were electric, 18% were plug-in hybrids and 3% were non-plug-in hybrids. Only 7% were internal combustion engine vehicles. As cars are renewed, internal combustion engines will be phased out. At present, the latter make up 64% of the company car fleet of which almost half are temporary hire vehicles for use while we are dealing with increased lead times from supply chain. These will be replaced with electric vehicles as and when these are delivered. From 2023 the company car scheme will focus on fully electric vehicles only.

We are transitioning our commercial van fleet from diesel to electric. At present, the fleet has 670 vans, of which 13 are fully electric. Due to chip shortages the delivery of electric vehicles has been severely delayed. As the first part of the transition, we are moving most of our supervisors out of diesel vans into electric cars. On current fleet numbers, 100 to 120 electric MG cars will replace the incumbent fleet of small diesel vans by the end of 2025. More EV orders are planned for 2023 to start the process of replacing the larger diesel operative vans with electric vans.

To prepare the business for net zero, we engaged UKGBC to develop a leadership programme on sustainability which we will be rolling out in 2023.

Assurance

The Carbon Trust was engaged to undertake limited assurance of the Group's Scope 1, 2 and selected Scope 3 emissions (waste and business travel), using the international standard ISO 14064-3 over the GHG data that has been highlighted in this report with the symbol°. The Carbon Trust's full statement is available at: www.wates.co.uk/GHGassurance

Limited assurance represents a substantially lower level of audit than a reasonable assurance engagement. To reach its opinion, the Carbon Trust undertook a range of procedures over the GHG data. A summary of this work is included within their assurance statement.

TABLE 1

	ABSOLUTE TONNES OF CO_2E			
	BASE YEAR 2019	2020	2021	**2022**
Scope 1	9,091	6,061	5,335	**5,231°**
Scope 2 (location-based)	5,182	2,320	1,370	**1,527°**
Scope 2 (market-based)	2,466	816	314	**392°**
Scope 3 for business travel and waste*	4,054	2,244	2,673	**3,540°**
Total Scope 1 and 2 carbon emissions (location-based)	14,273	8,381	6,705	**6,758**
Total Scope 1 and 2 carbon emissions (market-based)	11,557	6,877	5,649	**5,623**
Total Scope 1, 2 and 3 carbon emissions (location-based)	18,327	10,624	9,378	**10,298**
Total Scope 1 and 2 carbon emissions/per £m (market-based)	7.5	5.0	3.7	**3.1**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (market-based) including business travel and waste	10.1	6.6	5.5	**5.1**
Total Scope 1, 2 and 3 carbon emissions per £m revenue (location-based) including business travel and waste	11.8	7.7	6.2	**5.8**

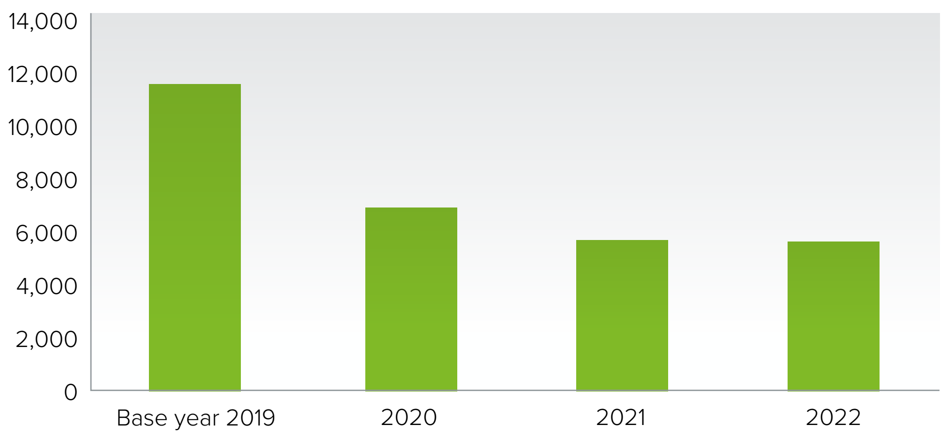
*GHG emissions from waste data was captured for 2021 for the first time.

TABLE 2

SOURCE	ENERGY USE IN MWh BASE YEAR 2019	2020	2021	**2022**
Natural Gas	10,808	3,295	1,642	**2,504**
Electricity (non-renewable sources)	12,470	1,745	979	**1,038**
Electricity (renewable sources)	6,713	7,359	5,451	**6,720**
Red Diesel (Gas Oil)	12,805	7,859	4,086	**2,303**
Petrol (biofuel blend)	125	42	313	**277**
Diesel (biofuel blend)	12,606	12,234	15,128	**14,826**
LPG	2	4	0.4	**2.2**
Kerosene	-	-	85	**6**
Biodiesel (HVO)	-	-	743	**582**
Butane*	-	-	-	**2**
Propane*	-	-	-	**139**
Two Stroke	-	-	1	**0**
Business Travel	30,263	5,409	10,114	**13,668**
Total MWh	**85,791**	**37,946**	**38,542**	**42,068**

*Reported for the first time in 2022.

TOTAL SCOPE 1 AND 2 CARBON EMISSIONS (MARKET-BASED)



Non-Financial and Sustainability Information Statement

This section of the Strategic report constitutes the Group's non-financial and sustainability information statement, produced in relation to Sections 414CA and 414CB of the Companies Act 2006. The non-financial information is contained within sections of the Strategic report and is cross-referenced below to help stakeholders find relevant information.

REPORTING REQUIREMENT	POLICIES, STANDARDS AND REPORTS	INFORMATION REQUIRED TO UNDERSTAND OUR BUSINESS	PAGE
Environmental matters	ISO 14001 certification Near-term science-based target Environmental sustainability plan Environmental Policy (2022)	Task Force on Climate-related Financial Disclosures (TCFD) SERC	76
Company's employees	Inclusion & Diversity Report	People Strategy	98
Social matters	Social Value Strategy Social Value (Communities) Policy (2022)	Sustainability Report (social value)	58
Respect for Human Rights	Modern Slavery Statement Code of Conduct Anti Slavery and Human Trafficking Policy (2022) Anti Slavery and Human Trafficking Standard (supply chain)		63
Anti-corruption and anti-bribery matters	Code of Conduct Bribery Act Statement (2022)	Corporate Governance Report	118
Description of the company's business model	n/a	Strategy	14
Description of the principal risks	n/a	Principal risks and uncertainties	94
Non-financial key performance indicators	n/a	Strategy Zero Harm Social Value Sustainable Innovation Environment Progress on TCFD SECR People	107
Climate-related financial disclosures	n/a	TCFD section: Governance Strategy: identifying climate-related risks and opportunities Scenario analysis Climate-related impacts Description of risks and opportunities Risk management Metrics and targets	72

Please refer to our website for policies, standards and reports.

WATES FAMILY ENTERPRISE TRUST (WFET)

Wates Family ENTERPRISE TRUST

The Wates Family Enterprise Trust (WFET) is an independent, UK registered charity set up by the Wates family in 2008. The Wates family believes passionately in being responsible business owners and that business can be a force for good.

The Trust's mission, based on this belief, is to build communities and improve lives long into the future. Since its inception, WFET has donated more than £16.9m to charitable activities, supporting more than 2,000 organisations.

The independent status of WFET allows it to apply its own set of principles and values. These guide its approach to delivering the greatest impact and public benefit from its work. The Wates Group makes an annual financial contribution, which supports the Trust's grant making and operations.

In 2022, £1.5m was distributed to support WFET's work as a charitable trust. In addition, about £150,000 was awarded by the Trust as a result of Wates employee nominations and engagement.

2022 saw the Trust publish its second impact report, *'Spotlight the Way'*, providing an insight into its ambitions and what its funding has achieved.

The Trust's work is focused on three strategic areas: housing; life opportunities for young people; and sustainability. Alongside this it runs a range of schemes for Wates Group employees.

Tackling key issues

The WFET works with leading think tanks and experts from the voluntary sector, many of whom are instrumental in shining a light on the key issues it wants to tackle.

Within the Trust's strategic theme of housing, in 2022, the Smith Institute published a report highlighting the extent of the temporary accommodation crisis across two major cities in England.

Based on the latest research and interviews with housing practitioners, the report examined the causes and consequences of the crisis, the different responses from local authorities and metro mayoral councils and discussed what works and what needs to change.

Since the launch of the report, WFET has been working to continue the dialogue with key stakeholders to tackle this pressing issue.

Similarly, within its theme of life opportunities for young people, the Trust has continued to support The Difference, an organisation that works to reduce school exclusions while ensuring high quality and engaging educational opportunities exist for those who are excluded from mainstream schools.

Changing behaviours

The Trust also contributes to initiatives that aim to move the dial on public attitudes and behaviours.

Through its sustainability work with environmental charity Hubbub, it supports the collaborative 'In Our Nature' programme in Manchester, exploring innovative ways to inspire positive climate action.

Over the last two years, this work has led to the delivery of more than 60 community projects, reinvigorating 17 urban nature areas and engaging 3,000 community members in green/nature activities. The partnership is continuing to expand and explore ways to replicate the programme in other cities.

"Creating programmes that make a real difference to the society we live in is at the very core of the Trust's purpose. Much of this is brought to life and reaches the areas that need it most through our work in collaboration with Wates Group employees. The tireless dedication of Group employees to making a positive impact to communities is an utter privilege to support."

ANDY WATES
CHAIR OF WFET

GIVING BACK TO COMMUNITIES

The Trust is committed to supporting communities by fostering the amazing, active citizenship of Wates employees. To facilitate this commitment, the Trust provides awards and matched funding specifically for the causes nominated by Wates employees, which they care so passionately about.

The Trust also contributes to communities in which the Group works. In 2022, it made 22 grants totalling £130,000.

Community award: Chantelle Horan, Wates Living Space, funded to purchase a brand new football strip for the Under10s team at Barnsley Women's FC where she volunteers.

Arran Bird and Richard Ellis, completed Tough Mudder. Raised £710, matched £710.

Alice Chai, Ajax Ave Coffee Morning for MacMillan. Raised £200, matched £200.

Group Grant nominated by Construction South West to support Dings Community Association youth club for younger children aged 8-11 years.

Michael Daniels, Cross Channel Swim for RNLI. Raised £1,473, matched £500.

Sam Hagans, ran the London Marathon 2022 for Royal Marsden's Cancer Charity. Raised £4,271, matched £500.

GROUP BOARD

The Group Board is comprised of the Chairman; Chief Executive; Chief Financial Officer; Executive Managing Director of the Construction Group (comprising Construction and Integrated Construction Services); three independent non-executive directors; and four family directors.

The Board's primary responsibility is to promote the long-term success of the Group so it can create sustainable value for its shareholders. The Board seeks to achieve this by, amongst other things, being clear about the company's purpose and by ensuring that its goals, strategy, and behaviours align with that purpose.

SIR JAMES WATES CBE

CHAIRMAN

Sir James Wates has worked for the company since 1983, has been Chairman since 2013, and on the Board since 1997. He will step down as Chairman at the Annual General Meeting in May 2023. Outside of the company, James is Chairman of the Institute for Family Business, and a non-executive director of Argent Services LLP. He has also served in the past as Chairman of the BRE (Building Research Establishment) Trust, Chairman of the CBI Construction Council, Co-chair of Infrastructure Exports: UK, President of the Chartered Institute of Building, Chairman of the Construction Industry Training Board, and Co-chair of Build UK. Sir James feels passionately that business, done well, is a force for good for society. In 2018 he was appointed by the government to chair the coalition group developing corporate governance principles for large private companies (the so-called 'Wates Principles'). In 2012 he was awarded the CBE and in 2019 was knighted for services to business and to charity.

EOGHAN O'LIONAIRD

CHIEF EXECUTIVE
(FROM FEBRUARY 2023)

Eoghan O'Lionaird joined Wates as Chief Executive in February 2023. He sits on the Group Board and Executive Committee. He was previously Chief Executive of FTSE-listed marine services company James Fisher and Sons plc and has held executive roles at Spectris plc, Danaher Corporation, Philips and Mitsui Kinzoku. Eoghan is fluent in Irish and Japanese, and has Bachelor and Masters degrees in engineering as well as an MBA.

JEREMY NEWSUM

SENIOR INDEPENDENT
NON-EXECUTIVE DIRECTOR

Jeremy Newsum joined the Wates Group Board in September 2018. A Fellow of the Royal Institute of Chartered Surveyors, Jeremy retired in 2016 after spending over 25 years leading the executive team of the Grosvenor Estate. He is a member of the Investment Committee at Trinity College, Cambridge. Previous non-executive roles include Chair of the Urban Land Institute; President of the British Property Federation; founding Chair at Cambridge Ahead; and council member of Imperial College, London. Jeremy became the Wates Group's Senior Independent Director in October 2019 and is a member of the Remuneration and Nominations Committees.

JONATHAN OATLEY

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Jonathan (Joe) Oatley was appointed to the Board as a non-executive director in July 2017. He was formerly Chief Executive at Cape plc – a global FTSE listed company specialising in the provision of critical industrial services to the energy and natural resources sectors – for six years until 2018. Joe was previously Chief Executive of Hamworthy plc, a global oil and gas engineering business, which he joined in 2007 and led until its takeover by Wärtsilä in 2012. Joe is also a non-executive director at Carclo plc, an international manufacturer serving the medical sector, and Centurion Group Ltd, an international oil and gas services business. Joe is a member of the advisory board of the financial PR firm Buchanan (part of the WPP group). Prior to this, Joe spent most of his career in the engineering sector in a broad range of roles, including strategy development and acquisitions. Joe was appointed Chair of the Wates Remuneration Committee in October 2019 and is a member of the Audit and Nominations Committees.

SUSAN HARRIS

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Susan (Sue) Harris was appointed to the Board as non-executive director in October 2019 and is Chair of the Audit Committee and member of the Sustainability and Nominations Committees. Sue is a qualified accountant and former chair of the Audit and Assurance council of the Financial Reporting Council. She has held senior executive positions across the retail and banking sectors, including Marks and Spencer as Group Treasurer and Head of Corporate Development; Managing Director Finance at Standard Life, where she led the company's flotation process; CFO of Cheltenham & Gloucester; Finance Director Retail Bank; Group Financial Control Director and Group Audit Director for Lloyds Banking Group. Since 2013, Sue has built up an extensive portfolio of non-executive roles, currently at Cooperative Bank, Schroders and Co., FNZ (UK), Barclays UK Retirement Fund, Clarksons PLC and previously at the Bank of Ireland UK and Abcam PLC. She had a 10-year association with MENCAP, where she gained experience of social housing – a key component of Wates' residential and property services offering.

TIMOTHY WATES DL

DEPUTY CHAIRMAN

Timothy (Tim) Wates joined Wates in 1993 and has served on the Board from 2006 to 2008 and since 2011. He assumed the role of Deputy Chairman in October 2022 and will be appointed Chairman in May 2023. Tim is Chairman of the Wates Family Council – the Family Shareholder forum – is the Chairman of the Nomination Committee, a member of the Wates Group Remuneration Committee, as well as being a trustee of various Wates family charities. Prior to joining the Wates Group, Tim started his career at Cazenove & Co. Outside of the company, he serves on the Advisory Board of the Cambridge Judge Business School and is a trustee of the Clink Charity. He is a Deputy Lieutenant of Surrey and is High Sheriff of Surrey in nomination for 2023/2024. He is non-executive Chair of Tampopo Limited and a non-executive director at Pedder Property. For six years he was Chairman of the Coast to Capital Local Enterprise Partnership, completing his two terms in July 2020. Tim has particular expertise and interest in housing and regeneration issues, as well as the facilitation of effective management of public-private partnerships. He holds an MBA from the University of Cambridge.

ANDREW WATES

DIRECTOR

Andrew (Andy) Wates joined the Wates Group in 1995. He was appointed to the Board in 2011 and is currently a member of the Audit Committee and Nominations Committee. He is Chairman of the Wates Family Enterprise Trust and chairs the Wates Investment Partnership, which is the family's long-term investment portfolio. He has also served as Managing Director of Wates Interiors and as Chairman of the Wates Foundation, an independent grant-making family trust that has been supporting the charitable and voluntary sector for almost 50 years. Before joining Wates, Andy spent six years with Costain Construction and John Shreeves & Partners. Outside of the company, Andy is active in the Institute for Family Business (IFB), serving as a member of the National Policy committee and Chair of the IFB Southeast Region. Up until June 2020 he served as Chairman of the Construction Youth Trust, founded in 1961 to support young people who are facing significant barriers to education, training and employment. In 2018 he was elected to the Court of The Clothworkers' Company. He holds an MBA from Roffey Park Business School.

CHARLES WATES

DIRECTOR

Charles (Charlie) Wates joined the Wates Group in 2005. He is founder and former Managing Director of Needspace, the company's managed workspace division, which now comprises a portfolio of seven properties across London and the Southeast. He joined the Board in 2011 and is also Chairman of the Next Generation Committee. He is a chartered surveyor with over 20 years' experience in the commercial property sector with firms including Jones Lang LaSalle. Outside of the company, he is a member of the British Council of Offices and the British Property Federation. He is on the Board of Management, Estates Committee and Finance Committee of the Royal Alexandra & Albert School, and he is a governor of the Emanuel School.

JONATHAN WATES

DIRECTOR

Jonathan (Jonny) Wates was appointed to the Wates Group Board in 2008, having previously served as Group Head of Strategy and Sales Director of Wates Homes Ltd. He is a Trustee of the Wates Family Enterprise Trust, the William Wates Memorial Trust and the Wates Foundation. He chairs the Board Sustainability Committee and champions sustainability at a strategic and an operational level. Previously, Jonny was Founder and Chairman of the renewable energy start-up Myriad Cleaner Energy Generation, and he began his career as brand manager at International Distillers & Vintners (now Diageo). Outside of the company, Jonny holds a range of positions including Vice Chair of Polaris – Family Business Network International; an Advisory Board Member for the Centre for Climate Change and Social Transformations; a member of the Advisory Council of Commonland; a Trustee of Forum for the Future; an Associate at Leaders' Quest; and an Ambassador of the World Benchmarking Alliance. He has an MBA from the Cranfield University School of Management and a master's degree in Sustainability and Leadership from the University of Cambridge. He is passionate about encouraging biodiversity in cities to raise awareness of climate change, promoting community cohesion and creating a harmonious relationship between humanity and nature.

PHILIP WAINWRIGHT

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY (INTERIM CHIEF EXECUTIVE FROM JULY 2022 – FEBRUARY 2023)

Philip Wainwright joined Wates as Chief Financial Officer in December 2018 and sits on the Group Board, Executive Committee and Sustainability Committee. In July 2022, following the departure of former Chief Executive David Allen, he assumed the role of Interim Chief Executive, occupying the position until the appointment of new Chief Executive, Eoghan O'Lionaird in February 2023. Philip has a degree in mechanical engineering and began his career as a graduate engineer with Balfour Beatty, before qualifying as a chartered accountant with Ernst & Young. He has over 20 years' experience in international and UK development and construction and has held senior roles in Willmott Dixon, Laing O'Rourke, National Grid, and the Man Group.

PAUL CHANDLER

EXECUTIVE MANAGING DIRECTOR, WATES CONSTRUCTION GROUP

Paul Chandler joined the Wates Group Board in 2018 and has overall accountability for the Wates Construction Group. Paul's expertise has been shaped across a construction career over 40 years, notable for delivering profitable growth, together with leadership of businesses that have delivered some of the industry's most recognisable and iconic projects. Since joining Wates in 2017, Paul has strengthened performance within the Wates Construction Group and, as part of driving the business to deliver the Group's 2025 strategy, has overseen the development of a national footprint for Wates Construction and SES Engineering Services.

Paul is passionate about creating an inclusive workforce and sponsors diversity and inclusion across the Wates Group. He is also a Wates supporter for the Young Women's Trust and represents Wates on the Construction Leadership Council, and the All-Parliamentary Group for Regeneration and Development.

*Not a statutory director but attends Group Board meetings in his current role.

EXECUTIVE COMMITTEE

EOGHAN O'LIONAIRD
CHIEF EXECUTIVE*

STEPHEN BEECHEY
GROUP PUBLIC SECTOR DIRECTOR

DAVID BROCKLEBANK
EXECUTIVE MD, DEVELOPMENTS GROUP

HELEN BUNCH
EXECUTIVE MD, RESIDENTIAL

PAUL CHANDLER
EXECUTIVE MD, CONSTRUCTION GROUP*

JOHN DUNNE
GROUP SAFETY, HEALTH, ENVIRONMENT, QUALITY & SUSTAINABILITY DIRECTOR

NICK JONES
GROUP STRATEGY DIRECTOR**

DAVID MORGAN
EXECUTIVE MD, PROPERTY SERVICES

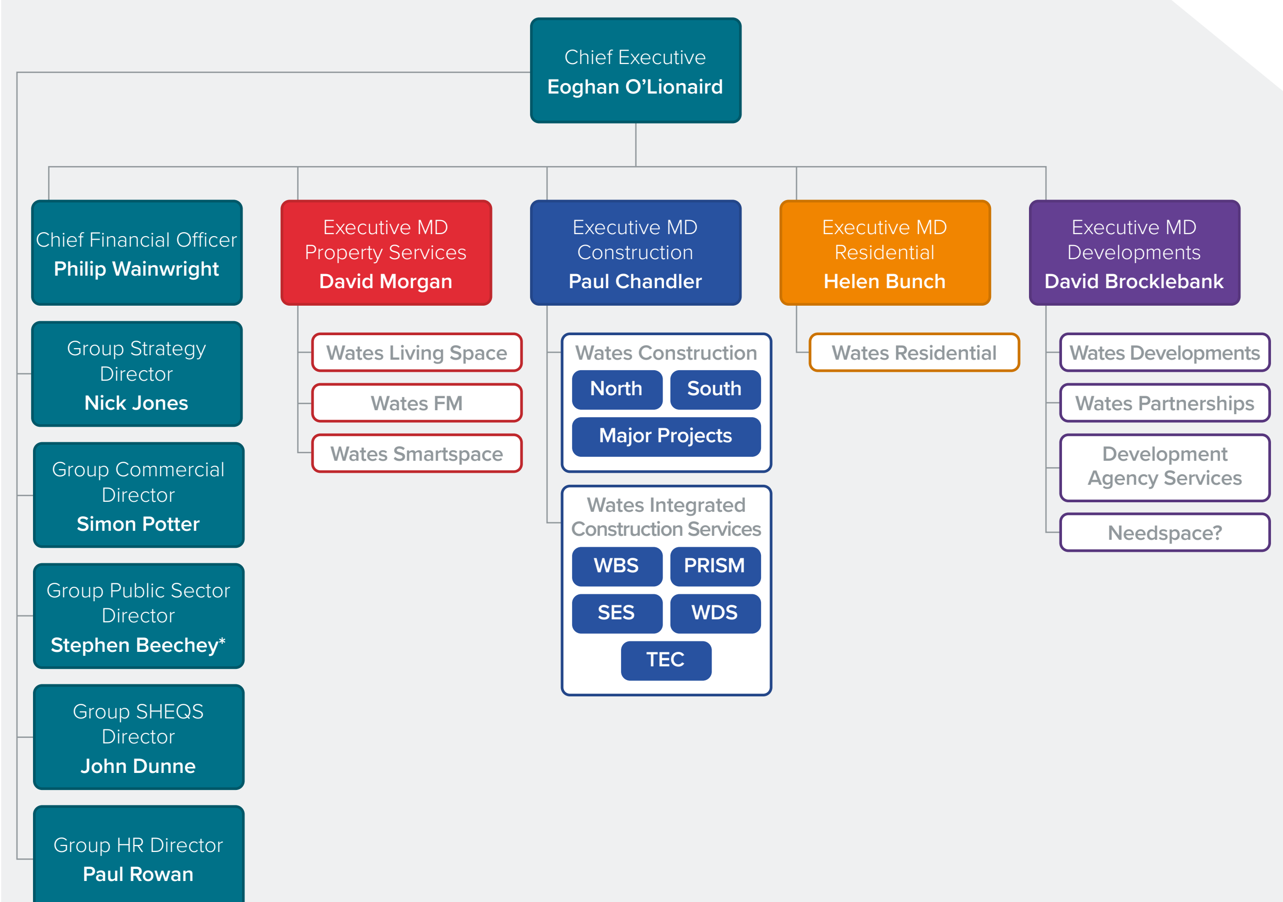
SIMON POTTER
GROUP COMMERCIAL DIRECTOR

PAUL ROWAN
GROUP HUMAN RESOURCES DIRECTOR

PHILIP WAINWRIGHT
CHIEF FINANCIAL OFFICER*

* Group Board member ** Attends Group Board

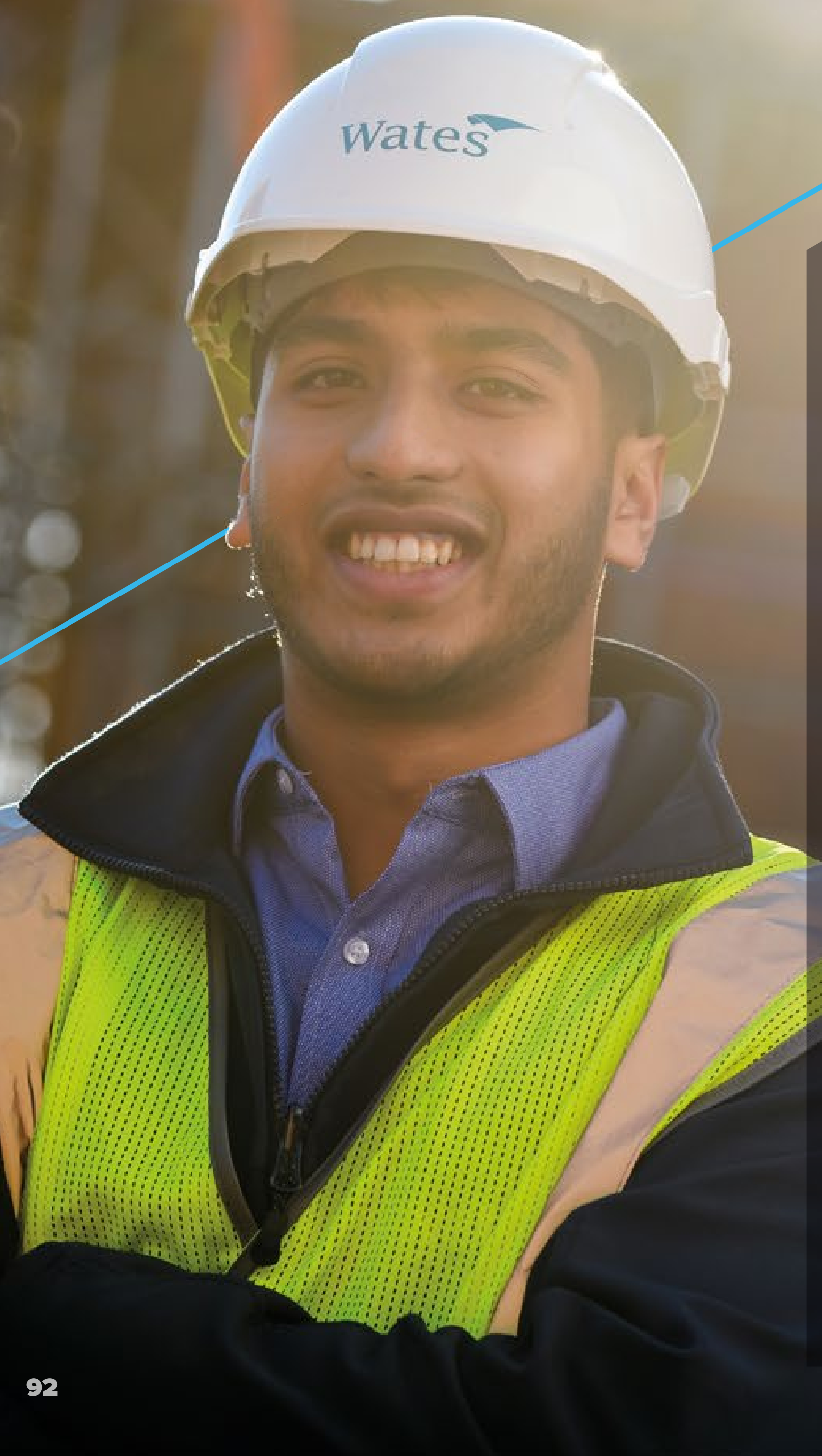
WATES GROUP ORGANISATIONAL STRUCTURE 2023



*Senior Executive Responsible (SER) for collaborative business relationships

ANNUAL ACCOUNTS AND REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2022



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DIRECTORS AND ADVISORS

Directors	**Sir James G. M. Wates CBE** (Chairman) **Timothy A. D. Wates** (Deputy Chairman) **Eoghan P. O'Lionaird** (Chief Executive) **Philip M. Wainwright** (Chief Financial Officer) **Paul Chandler** (Executive Managing Director, Wates Construction Group) **Susan E. Harris** **Jeremy H. M. Newsum** (Senior Independent Director) **Jonathan M. Oatley** **Andrew E. P. Wates** **Charles W. R. Wates** **Jonathan G. M. Wates**
Company secretary	**Philip M. Wainwright**
Independent auditors	**BDO LLP** Chartered Accountants and Statutory Auditors 55 Baker Street London W1U 7EU
Bankers	**HSBC UK Bank plc** 1 Centenary Square Birmingham B1 1HQ
Registered office and business head office	Wates House Station Approach Leatherhead Surrey United Kingdom KT22 7SW Telephone 01372 861000 Website www.wates.co.uk

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Managing our risks

Effective risk and opportunity management is at the heart of Wates' principles of good corporate governance (see Corporate Governance Report on page 121 (principle 4). We conduct our business responsibly, safely and legally, in line with the goals and behaviours set out in our Guiding Framework. Led by the Board and Executive Committee, we will continue to manage our risks and opportunities with a structure and rigour in line with these principles and values.

Governance

The Board has overall responsibility for ensuring the Group's systems of risk management and internal control are operating effectively. The Board is supported by the Audit Committee in the discharge of these responsibilities.

The Chief Executive is accountable to the Board for the effective management of risks and the identification of opportunities on a day-to-day basis. At an operational level, individual members of the Executive Committee report to the Chief Executive on specific risks within their remits. Our Business Units also each manage these risks at their respective divisional levels.

Our approach to risk management is both top-down, from the Board and its Sub-Committees, and bottom-up from executive management and the individual business units. This approach ensures an ongoing dialogue is in place across the Group, so we can continually scan the horizon to identify emerging risks.

Key actions in the year

As part of Wates' commitment to continuous improvement, the Board has undertaken a review of principal risks. These risks fall into four categories, as follows:

- **strategic/opportunities**
- **external**
- **operational**
- **business-as-usual**

The evolution of Group's performance priorities (see Strategy on page 14) is also reflected in the risk framework. In order to deliver value for our customers and shareholders, the Group's performance priorities are now:

- **diversity and inclusion**
- **innovation**
- **quality**
- **safety**
- **sustainability**

Taken together, these priorities deliver profit.

- **profit**

The Group has re-established our Executive-level Risk Committee as part of our governance structure. A formal cycle of reviews of principal risks and opportunities continued throughout the year alongside an ongoing programme of embedding operational risk management.

Changes

As part of the Group's principal risks review, we undertook a detailed assessment of risks and opportunities in the context of our new strategy. This included an evaluation of new market disruptors, strengthening of our environmental, social and governance activity, and alignment of our people risk with culture and wellbeing. To remain competitive, we also benchmarked our business performance against that of our competitors.

We have increased our focus on the physical and transitional climate change risks to our operations, as we understand more about what to expect in future years and the mitigation activities that will be required. Climate change has also presented the Group with significant opportunities for growth. Mitigating these risks and taking advantage of these opportunities will require closer management and recognition of third-party and supply chain management risks.

Reputational risk remains a key imperative for the Group and is discussed both explicitly as part of our principal risks activity and as part of each principal risk. We are proactively managing and prioritising our response to the Building Safety Act to support our strong reputation for delivering high quality work and this is borne out in our review of governance, legal and regulatory compliance risks and opportunities.

Principal risks and uncertainties

Principal risks are defined as those which could affect our strategic ambitions, future performance, prospects or reputation. Our principal risks are set out in the tables below, which include a summary of key information including the type of risk (as categorised within our risk management framework), key mitigations and controls, alignment to our performance priorities, and risk movements and trends. At Wates, we discuss emerging risks and opportunities as part of our ongoing risk governance and reporting regime. We also conduct horizon-scanning exercises to maintain a medium and longer-term view of potential disruptors or emerging risks to our business.

Risk movement:

increasing | **no movement** | **decreasing** | **new risk**

As the most significant area of risk and uncertainty, the Group has continued to pay close attention to the external macro-economic and political factors impacting our strategy, operations and performance. The war in Ukraine and ongoing political and economic turmoil at both a UK and global level have resulted in challenges and uncertainty not seen for some time. We are actively monitoring these risks and have taken appropriate actions to mitigate their impact on our business.

Wage and cost inflation have remained priorities, with these impacting not only our employees but also the profitability of both our long-term construction contracts and house building operations. We have carefully analysed and responded to the impact of inflation, supply chain disruption, labour shortages, energy price volatility and interest rates, including the impact on the UK housing sector, and the threat of recession.

Our ability to maintain profitability on long-term construction contracts and house building schemes is continuously monitored while cost inflation continues to be a factor. Inflation has and will continue to impact project viability as well as market growth. Inflation is being driven by disruption to the supply chain, with ongoing challenges in the supply and availability of labour and materials as a lagging effect of both Brexit and the COVID-19 pandemic, and more recently the war in Ukraine. The unprecedented increase in energy costs, exacerbated by the war in Ukraine, has further impacted the cost of materials.

Inflation has not only been seen in material prices but also in wage inflation, as a consequence of labour shortages in a high-demand environment and pressure to retain existing employees.

The combination of inflation, high energy prices and market turmoil led the Bank of England to raise interest rates successively in 2022. While interest rates are expected to peak in the second half of 2023, there are early signs of a slowdown in the housing sector, with mortgage product changes and reduced mortgage affordability. In addition, the forecast fall in real wages and further potential movements in interest rates will likely impact consumer spending. Taken together with the wider uncertainty around the UK economy, this will likely effect pricing on new-build housing. In contrast, we have seen an increase in demand for social housing retrofit work together and other safety and building upgrades, with building safety still high on the agenda following the Grenfell Tower fire.

With government support for wider capital investment in social housing, education, justice and health expected to continue, we are in a strong position to offset any reduced demand for private housing with accelerated demand in the public sector.

Despite a general expectation that industry output will fall over the next 12 months, there remains considerable demand for services in the built environment. The Government's commitment to levelling up, building new homes and investing in infrastructure, as well as prioritising the energy efficiency of new and existing homes to support the UK's movement towards net zero, will provide a counterbalance to the economic impacts on the sector and present significant opportunities for Wates in the medium term.

The Group has a strong future order book, which, together with its continued financial resilience, will support the business as we manage and respond to further changes in the geo-political and economic environment.

New and updated legislation is expected in 2023 that will have significant implications for the housing sector. We will continue to assess and manage the impact of the Building Safety Act, which we see both as a future opportunity and a risk, given the secondary legislation in respect of retrospective elements is not yet complete.

See further detail at Section 172 statement on page 113.

In the period we have continued to undertake the following:

POLITICAL, GEO-POLITICAL AND MACRO-ECONOMIC FACTORS

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to anticipate and appropriately respond to significant external events. Political, geo-political or macro-economic factors could all impact the Group's performance, reputation or long term viability, or result in lost opportunities for growth.	• Conduct regular reviews, analysis and reporting of external political and economic factors to Board and Executive Committee to support decision making and medium and long term strategy planning. • Deepen relationships with our customers, manufacturers, distributors and sub-contractors with a focus on market intelligence to inform decisions. • Form specialist working groups to devise scenario analysis and response plans. • Closely monitor government policy; encourage leadership participation in economic and regulatory forums. • Manage the ongoing risks and impacts related to retrospective elements of the Building Safety Act. • Make use of SME adviser panels to provide support and guidance. • Review and strengthen our bid procurement strategy, with a focus on contract values and contract selection. • Devise and monitor detailed procurement plans to manage the supply of materials through our supply chain and to make use of cross-project procurement opportunities. • Use external market data to engage clients on cost pressure issues. • Continue to monitor the impact of housing market volatility. • See Environment on page 66 for detail of our sector leading strategies in response to the Government's net zero targets and the opportunities to lead and support our customers and supply chain in this area.

PRINCIPAL RISKS: strategic/opportunities; external; operational; business-as-usual

RISK MOVEMENT: increasing; no movement; decreasing; new risk

PERFORMANCE PRIORITIES: diversity and inclusion; safety; innovation; sustainability; quality; profit

STRATEGY AND TRANSFORMATION

Having a clear and coherent strategy aligned to Wates' established purpose, goals and behaviours is critical to our future sustainability. Our purpose and performance priorities are at the heart of our operations.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to define and deliver an effective Group strategy or we adopt the wrong strategy which impacts the long-term growth, ambition and sustainability of our business.	• Conduct an annual review of long-term strategy with ongoing governance and reporting. • Ensure robust Board oversight with the ability to challenge the strategic direction of the Group. • Encourage effective stakeholder engagement to ensure we design and develop initiatives which are materially important to them. • Carry out market research as well as competitor and trend analysis in order to provide insights into strategic opportunities. • Continue ongoing reviews of short, medium and long-term market disruptors. • Maintain a diverse customer base and product range, allowing us to respond to strategic opportunities and new challenges with agility. • Ensure that Group initiatives are delivered efficiently and effectively and support our strategic direction. • Devise 'divisionalised' strategies for individual business units to inform opportunities for growth in different sectors. • Focus on environmental, social and governance issues as the bedrock of our strategic thinking, with climate change in particular at the forefront of our research, innovation and commitments.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	diversity and inclusion	safety
external	no movement	innovation	sustainability
operational	decreasing	quality	profit
business-as-usual	new risk		

PERFORMANCE AND COMPETITION

We continue to face competitive challenges in an increasingly complex and fast-moving economic landscape, with costs, margin and supply chain pressures impacting the sectors in which we operate. To maintain our strong order book we focus on our customers and seek to innovate wherever possible to serve them better. We remain highly selective in the work we bid for and take on. We therefore consider risks related to performance and competition currently to be well managed.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to manage our business and financial performance, to compete effectively in line with our strategy, or to maximise opportunities for growth. This could impact our reputation, profitability, market share and long-term sustainability as a business.	• Focus Board oversight on performance, strategy and opportunity. • Ensure a risk based focus when it comes to the most strategically important bids, contracts and investments. • Regularly review markets, trading opportunities, competitor strategy and activity, and develop response plans to support our strategic ambition. • Undertake market scanning and competitor analysis to inform our focus and ensure our performance priorities align with our customers' requirements. • Support innovation, particularly with regard climate change and while the current volatile economic environment is significantly impacting customer decisions. • Remain highly selective in our bid and contract engagement and continue to target areas where we have competitive advantage. • Focus on opportunity areas, such as net zero developments, low carbon buildings and energy efficient retrofits. • Work to retain and attract high performing, forward thinking talent.

PEOPLE, CULTURE AND WELLBEING

A key strategic imperative is to attract, retain and develop the best and most diverse pool of talent. Having the necessary resource capability with the right knowledge, skill and behaviours to drive and deliver business growth is critical to our future success.

We care about employee wellbeing and are committed to creating an inclusive culture in which all employees are treated fairly and feel they belong. Embedding this culture is key to ensuring we deliver our strategic priorities in line with our Guiding Framework.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to deliver on elements of our people strategy or elements of our strategy prove ineffective, thereby impacting talent acquisition and retention. This could harm our ability to grow and innovate within the business. We fail to embed our values in our culture, which could derail the delivery of our people strategy, impacting our reputation, talent retention, and strategic ambitions.	• Define our people strategy as clearly as possible, with action plans and measures of success approved by the Board. • Seek external support for benchmarked metrics and market analysis. • Ensure remuneration packages are competitive within the market via regular reviews; this should include an acknowledgment of the current cost of living challenges. • Continue to evolve our new employee profit-share scheme, aligning employee rewards to individual Business Unit performance. • Embed oversight of succession planning, remuneration policy and standards with our Nomination Committee and Remuneration Committee. • Grow skills through established talent planning, training and people development processes, while using external recruitment to fill skills gaps. • Maintain our commitment to building an inclusive workplace with a market leading policy framework. • Promote use of our employee networks to support our Group inclusion and diversity agenda. • Maintain the Group's Investors in People Gold accreditation and our place in the Times' Top 50 Employer for Women list, which we entered in 2022. • Reinforce our commitment to health and wellbeing through our Employee Assistance, Mental Health First Aid, and Peppy Programmes. • Support our ethics and standards through our established Code of Conduct and regulatory compliance programmes, with Safecall and SpeakUp processes in place for colleagues and supply chain partners to raise concerns in confidence. • See further detail at People report on page 18.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	diversity and inclusion	safety
external	no movement	innovation	sustainability
operational	decreasing	quality	profit
business-as-usual	new risk		

HEALTH AND SAFETY

The health and safety of all stakeholders is and always will be Wates' number one priority. We are proud of our excellent health and safety record which is critical to our values and reputation.

The Group's activities have the potential to cause serious injury to stakeholders, could damage property and the environment, and could harm our reputation as a result. We are reliant on a largely subcontracted workforce, which creates additional monitoring challenges. This is built into our operating framework, governance, and reporting protocols. We are committed to demonstrating the highest standards of health and safety management. See further detail at Safety report on page 60.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
An incident results in death or serious injury, or damage to assets or property, leading to adverse financial or reputational consequences to the Group, including potential criminal liabilities.	• Maintain and look to improve on an industry leading health and safety performance through a strong safety culture, supported by a robust framework of health and safety operating procedures. • Use critical metrics and stringent action plans to ensure strong governance and oversight is maintained at each level throughout the Group. • Have contingency plans in place for efficient and effective incident response; ensure these are reviewed and tested on a regular basis. • Strengthen our extensive suite of assurance and compliance activities to help us evaluate our performance. • Conduct leadership briefings, updated guidance and toolbox talks to support management understanding. • Improve analytical dashboard reporting. • Monitor extreme weather events caused by climate change such as strong winds, heavy rainfall, and heat stress as part of our health and safety risk assessments and link this to our Climate Change risk management and TCFD reporting (see page 72). • Maintain COVID-19 Site Operating Procedures in line with government guidance during relevant periods of the year. • Strive for continuous improvement across all areas of health and safety. • Promote increased use of modern methods of construction (MMC).

PROJECTS AND SERVICE DELIVERY

At Wates, we use our professional judgement in estimating, planning, designing and constructing our projects, often in complex environments. Each project could encounter difficulties that lead to cost and time overruns, litigation or disputes.

Our activities are guided by an Operating Framework that mandates rigorous policies and procedures throughout a project's lifecycle. We seek to always deliver quality and are focused on customer service as a key strategic priority. In recent years, we have also focussed significantly on innovation to improve our service delivery and we support our customers through our new Customer Excellence programme.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to deliver our projects and services efficiently and effectively or fail to maximise customer engagement opportunities, which could impact our financial position, reputation and our potential for future growth.	• Continue to focus on innovation in our delivery through better use of offsite MMC, our Technical Excellence Centre, introduction of the Optimised Construction Steering Group and the availability of Wates Sustainable Technology Services (WSTS) and the Wates Innovation Network (WIN) Portal to support customer solutions. • Build on our significant project assurance programmes, including peer reviews and customer feedback, which help mitigate the risks to successful project delivery and keep us focused on learning and continuous improvement. • Use our well-defined operating framework, which includes comprehensive management oversight and risk management processes, to support successful project delivery. • Maintain stringent management oversight and project governance reporting, focussing on safety, productivity and quality through our Delivering the Promise programme. • Closely scrutinise financial judgements made on projects, supported by prudent revenue and profit recognition policies. • Provide strong customer engagement to manage contracts effectively and profitably. • Maintain robust supply chain management protocols, including for due diligence and onboarding. • Develop effective crisis and incident management processes, enabling efficient incident response. • Continue to evaluate the impact of climate-related extreme weather events, such as localised flooding of project sites or wider transport infrastructure issues and consider this as an underlying risk that could lead to programme delays. Contingency plans must remain robust to mitigate against any adverse impacts from such events. • See political and economic risk on page 96 for external issues impacting project delivery.

THIRD PARTY AND SUPPLY CHAIN MANAGEMENT

A robust supply chain is critical to Wates' ability to deliver quality projects and services. We work with preferred suppliers and operate stringent due diligence and onboarding processes which set clear standards of operation. These processes include appropriate training and relationship management. The impacts of the current political and economic environment on our supply chain are significant, especially with regard to availability and cost management. We maintain a sustainable procurement strategy and robustly monitor all aspects of our supply chain framework.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to monitor and manage our supply chain and third-party relationships effectively or fail to maximise the opportunities we create. This failure could impact our standards, our legal and regulatory compliance obligations, and the effective delivery of projects and services, resulting in reputational and financial damage.	• Robustly manage our core preferred supplier network with the agility to adapt to complex and evolving economic and political factors. • Review our sustainable procurement strategy, with a revision of detailed mapping to source components. • Continue to run our Inflation Working Group to monitor contractual risk and supply. • Maintain due diligence clearance and onboarding checks to support Group standards. • Use our supply chain framework to set out legal and operational compliance requirements across the supply chain network. • Assess performance on an ongoing basis through KPI monitoring, supply chain procurement plans and insolvency monitoring as part of an oversight and governance framework. • Continue to carry out assurance checks on areas of legal and regulatory compliance, with a Working Group in place supported by our internal Group Legal team. • Support improvements to data analysis and reporting by updating our 'demand planning' and supply chain database. • Subject all third-party suppliers to ongoing performance monitoring and evaluation.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	diversity and inclusion	safety
external	no movement	innovation	sustainability
operational	decreasing	quality	profit
business-as-usual	new risk		

CLIMATE CHANGE

Climate change will dramatically change the world in which we live and the work we do. While we are committed to mitigating our own impact by reducing greenhouse gas emissions that contribute to climate change, we also need to ensure that our business is both resilient to the impacts of climate change in the future while also being in a position to seize on the opportunities that it presents. With 25% of carbon emissions attributable to the built environment, the sector's engagement is central to the fight against climate change.

Wates has set a near-term science-based target and also committed to a net zero target by 2045. As part of the race to net zero, we aim to halve our Scope 1, 2 and 3 emissions by 2030 against a 2019 baseline. We want to become a market leader by responding rapidly to changes in customer expectations and the wider and growing political, legal and regulatory environment.

As part of our efforts to achieve these targets, all Group Business Units are developing new Net zero products and services appropriate to the markets in which they operate. We have also launched Wates Retrofit to signal our commitment to reduce the UK built environment sector's carbon footprint. Opportunities in this space include a growing demand for new low carbon and net zero buildings, as well as demand for improved energy efficiencies through the retrofit of existing assets.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to lead and deliver on our climate change commitments or meet our legal and regulatory obligations. This could adversely impact our growth as well as our ability to innovate, to take advantage of future opportunities, and to retain talent.	• See page 66 for our annual report including progress on our Task Force on Climate-related Financial Disclosures and our Streamlined Energy and Carbon Report on page 72. • Engage our supply chain in the decarbonisation agenda to support the Group's ability to deliver low carbon assets and services. • Develop and monitor a core suite of metrics and targets. • Provide governance and oversight on our targets and performance through the Group Sustainability Committee. • Link loan agreements to climate change targets. Wates already has a £90m Sustainability Linked Loan as part of our revolving credit facility: one of the three KPIs is linked to the Group's supply chain setting science-based targets. • Make use of our new environmental metrics reporting platform and maintain external SME assurance of the integrity of our reported data. • Continue to build our internal capabilities to support our customers with new product and service offerings and to develop and deliver innovation. • Identify physical and transition risks to be managed at an operational level through 'Climate Scenario Workshops'. • Launch an internal pilot programme for leaders and executives focussing on environmental sustainability.

GOVERNANCE, LEGAL AND REGULATORY

The governance, legal and regulatory landscape in which we operate is evolving, with more regulation of businesses leading to the potential for greater penalties. Wates' commitment to delivering on our governance, legal and regulatory obligations is central to our culture and values. The Building Safety Act remains a principal area of focus for the Group and the industry more widely. Governance and environmental regulation is also increasing and matters of regulatory compliance remain at the forefront of our communications, compliance programmes and policies.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
An incident occurs or behaviours are observed that give rise to a serious governance, legal or regulatory compliance breach which impacts the Group reputationally or our ability to do business, and results in fines or criminal proceedings.	• Maintain and support compliance programmes and working groups to manage our most important areas of legal and regulatory compliance. • Liaise regularly with our Building Safety Act Working Group (ensuring readiness for the Building Safety Act) and our Ethics and Regulatory Compliance Group cover as these cover our main areas of inherent risk. • Update the Group's Operating Framework in respect of the Building Safety Act requirements. • Monitor compliance with our refreshed Code of Conduct and Regulatory Compliance Programmes, which now require annual compliance certification and declarations from senior management. • Refresh policies around broader legal compliance risk – a programme is underway across the Group with strong leadership tone from the top. • Use both our in-house specialist team and panel of external advisers to assess governance, legal and regulatory compliance. • Monitor for updates on emerging areas of legal and regulatory compliance. • Ensure compliance frameworks remain in place for key areas of regulation. • Review assurance programmes on a continuing basis.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	diversity and inclusion	safety
external	no movement	innovation	sustainability
operational	decreasing	quality	profit
business-as-usual	new risk		

FINANCIAL RISK (LIQUIDITY)

The Group manages liquidity such that it maintains sufficient liquid assets to meet financial liabilities as they fall due, deliver strategic growth plans, and fund future investment opportunities. Funding and liquidity are provided through bank loans, overdrafts and shareholders' funds. Funding arrangements are reviewed regularly and approved by the Group Board. The Group had net cash of £153m at 31 December 2022, with access to a further £90m via an undrawn Revolving Credit Facility, which expires in March 2025.

Wates maintains an infrastructure of systems, policies, and reporting to ensure discipline and oversight on all financial matters including tax, treasury and financial reporting. We continuously monitor economic and market factors, such as cost and wage inflation, along with interest rate movements, and undertake stress testing of our liquidity position. We proactively monitor risk factors to understand our exposure and make informed decisions on a timely basis, which is key to managing our business on a sound financial footing and responding with agility to changes in trading conditions.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
We fail to maintain sufficient levels of liquidity to meet financial liabilities as they fall due, inhibiting our ability to deliver strategic growth plans and fund future investment opportunities, and thereby impacting our reputation, future prospects and long-term viability.	• Maintain strong discipline and oversight of all financial matters with regular reviews of liquidity levels, sources of funding and access to committed credit facilities. • Keep in place a sound system of financial controls. • Maintain a strong balance sheet and established lender relationships. Current facilities include an undrawn £90m sustainability linked Revolving Credit Facility which expires in March 2025. • Continue twice monthly short-term cash flow forecasting and trade debtor review with our Business Unit Finance. • Continue monthly Board oversight of cash position, liquidity and forecast against minimum requirements. • Continue quarterly Treasury Committee meetings, chaired by the CFO. • Ensure continued stringent governance over funding and investment approvals. • Maintain Audit Committee and Board oversight and governance of key areas, including liquidity and funding strategy, Group tax obligations, going concern statement, financial resilience and key financial controls. • Monitor proposed changes in tax legislation and other relevant legislative requirements, and develop action plans as required. • Maintain balance and diversification in our defined benefit pension fund investment strategies, ensuring a reasonable balance between risk and return and keeping a sensibly hedged position in respect of inflation and gilt rate movements. There is currently an £8.4m deficit funding contribution per annum. • See further at Cash management on page 108.

PRINCIPAL RISKS:	RISK MOVEMENT:	PERFORMANCE PRIORITIES:	
strategic/opportunities	increasing	diversity and inclusion	safety
external	no movement	innovation	sustainability
operational	decreasing	quality	profit
business-as-usual	new risk		

SYSTEMS, DATA, CYBER

The scale and sophistication of targeted cyber-attacks are growing, while the ongoing macro-economic challenges and impact of the war in Ukraine mean that cyber-threat levels continue to increase. More and more Zero Day incidents and Ransomware attacks are being reported by organisations globally. As a result, we consider the external risk of cyber-attack to have increased for our Group and supply chain too. These risks pose a threat to our operational resilience, data, information and systems, all of which are key priorities for us. We hold sensitive customer and colleague personal data, and so continue to manage and monitor our internal controls robustly through our structured regulatory compliance and assurance programmes.

RISK	KEY MITIGATING ACTIONS THE GROUP HAS TAKEN OR WILL UNDERTAKE IN 2023
A cyber-attack or information security incident results in unauthorised systems access, loss or misuse of confidential or personal information and/or denial of service, which impacts our business and its operations both financially and reputationally. We fail to adequately protect the data and information we hold and process, resulting in legislative or regulatory breach and loss of trust, impacting our reputation and ability to do business.	• Keep in place and look to build on robust controls and a suite of policies to monitor the performance of the Group's systems and security. • Continually develop and update our IT infrastructure, software, and cyber threat and assessment capabilities. • Monitor, detect and report on real-time threats and controls through our experienced internal team and service partners. • Offer 'Cyber Essentials' and 'Cyber Essentials Plus' re-certifications. • Carry out annual external review of our cyber security posture and penetration testing. • Maintain focus on our data environment and continue to invest in its capability, development and security. • Continue to improve our data protection procedures as part of our regulatory compliance and assurance programmes. • Carry out internal and external assurance reviews of our security and compliance controls. • Review our internal information security and data governance capabilities as part of our continuous improvement agenda. • Invest in training and communications on data, information security and GDPR risks. • Offer security briefings and governance reporting to the Group at Board level. • Carry out due diligence on suppliers' cyber security and undertake contract reviews where necessary. • Continue offering our third-party supplier assurance programme.

STRATEGIC REPORT

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

Group financial performance

The Group delivered a strong financial performance in 2022, in a very challenging economic environment. Group turnover increased by 16.5% or £0.26bn (17.4% or £0.27bn on a statutory basis), with all lines of business showing growth. Operating profit of £36.2m was impacted by cost inflation but benefited from an especially strong year for land sales in Developments. The forward order book has increased by a further £1.3bn over the year, driven by significant wins in Construction and Property Services in the fourth quarter. Year end net cash closed at a similar level to last year, notwithstanding increased dividend and pension deficit funding contributions of £28.4m in total, paid during the period.

The prior year has been restated to reflect an adjustment to recognise amounts recoverable from third parties (insurers) as a separate reimbursement asset rather than as a reduction in the provision for remediation costs. In accordance with FRS 102, the reimbursement asset is only recognised when it is considered virtually certain. Total probable, but not virtually certain, insurance recoveries of £12.8m that were previously offset against provisions have not been recognised as reimbursement assets at 31 December 2021 in the restated numbers. This approach has also resulted in a reduction in prior year Group profit before tax of £4.7m. This adjustment will reverse in future periods as and when the amounts recoverable meet the criteria to be considered virtually certain. See note 25 for more information.

The summary financial performance for the Group is set out below:

	2022	2021 (RESTATED)	MOVEMENT
Group turnover * Group turnover including the Group's share of joint ventures' and associates' turnover	**£1.89bn**	£1.63bn	+16.5%
Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£1.79bn**	£1.52bn	+17.4%
Operating profit * Operating profit before interest and tax	**£36.2m**	£35.3m	+£0.9m
Operating profit margin *	**1.9%**	2.2%	-0.3%
Group statutory operating profit Group statutory operating profit	**£28.3m**	£29.6m	-£1.3m
Group profit before tax * Profit before tax and before tax of joint ventures and associates	**£33.7m**	£32.6m	+£1.1m
Group statutory profit before tax Group statutory profit before tax including share of tax of joint ventures and associates	**£31.5m**	£31.2m	+£0.3m
Forward order book	**£8.4bn**	£7.1bn	+£1.3bn
Net assets	**£162.3m**	£166.8m	-£4.5m
Year end cash including restricted cash	**£206.9m**	£228.7m	-£21.8m
Year end net cash Cash balance excluding cash held in joint ventures and restricted cash, net of bank loans and overdrafts	**£152.9m**	£158.9m	-£6.0m

* The performance of the Group is assessed using a variety of performance measures, including alternative performance measures (APM) which are presented to provide users with additional financial information that is regularly reviewed by management. These APMs are not defined under FRS 102 and therefore may not be directly comparable with similarly identified measures used by other entities. They are not intended to be a substitute for, or superior to, FRS 102 measures. See note 28 for definitions and reconciliations of APMs.

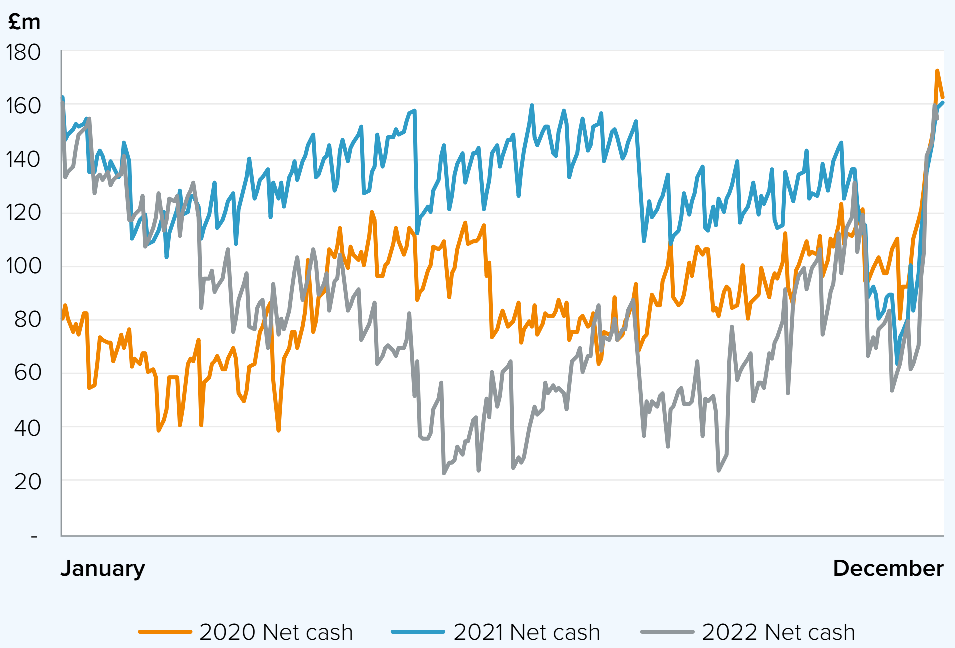
Cash management

The cash position for the Group is set out below.

	2022	2021
Average daily gross cash balance Average daily gross cash balance excluding cash held in joint ventures and restricted cash	**£107.1m**	£179.6m
Average daily net cash balance Average daily cash balance net of debt excluding cash held in joint ventures and restricted cash	**£80.2m**	£130.5m
Year end cash including restricted cash	**£206.9m**	£228.7m
Year end restricted cash Further details can be found in note 14 to the accounts	**£nil**	£(24.8)m
Year end cash excluding restricted cash	**£206.9m**	£203.9m
Year end bank loans	**£nil**	£(45.0)m
Year end bank overdrafts	**£(54.0)m**	£nil
Year end net cash Cash balance excluding cash held in joint ventures and restricted cash, net of bank loans and overdrafts	**£152.9m**	£158.9m

The Group has in place a sustainability linked Revolving Credit Facility of £90m, which expires in March 2025 with the potential for a one year extension. The facility was undrawn at 31 December 2022 (2021: £nil). The Group also had a Coronavirus Large Business Interruption Loan Scheme facility of £50m at 31 December 2021, of which £45m was drawn, which was repaid early and in full in June 2022. Wates Group Limited (the company) undertakes a trade in finance by offering money-lending services to the Group and controlling and managing bank facility arrangements. The Group's daily net cash balance (being the average daily cash balance net of debt excluding cash held in joint ventures and restricted cash) is shown below:

GROUP DAILY NET CASH BALANCE



The Group operated with lower levels of net cash compared to the previous two years throughout most of 2022. This profile was in line with expectations, due to the timing of receipts from construction contracts, investment and incremental dividends. The net cash figure climbed towards the end of the year, closing at a similar level to the end of 2021.

Group operating activities utilised cash of £10.5m (2021: generated cash of £1.8m). Cash flow from operating activities included deficit funding contributions to the pension fund of £11.0m (2021: £8.4m). Cash flows from investing and financing activities included amounts received from joint ventures of £25.9m (2021: £115.9m). These were offset by amounts paid to joint ventures of £24.2m (2021: £92.2m), bank loans repaid of £45.0m (2021: £5.0m) and dividends paid totalling £17.5m (2021: £3.4m). See note 21 for more information on cash generated by operations.

Construction Group

The Construction Group comprises two operating businesses: Wates Construction; and Wates Integrated Construction Services.

	2022	2021
Construction Group turnover Construction Group turnover including the Construction Group's share of joint ventures' and associates' turnover	**£958.2m**	£771.9m
Construction Group statutory turnover Group statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£958.2m**	£771.9m
Forward order book	**£4.5bn**	£3.9bn

The Construction Group grew strongly in 2022, despite the challenging trading environment, achieving turnover growth of 24% year on year. Rising inflation led to higher than average contract losses in the year as the procurement of current schemes was completed at a greater cost than anticipated. In addition the viability of schemes currently being tendered has come under increasing pressure, particularly in the private sector, leading to some delays in the conversion of contracts. Despite these delays the Construction Group finished 2022 with a record value of contract conversions, with £1bn of contracts converted in the final quarter and a strong pipeline to continue this trend into 2023. Converting these contracts was the culmination of a strong work winning year, finishing with the most valuable order book ever of £4.5bn.

Property Services

Wates Property Services comprises three specialist business units: Wates Living Space (housing maintenance); Wates Facilities Management and Wates Smartspace (fit out and refurbishment).

	2022	2021
Property Services turnover Property Services turnover including the Group's share of joint ventures' and associates' property services turnover	**£498.9m**	£475.9m
Property Services statutory turnover Property Services statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£497.5m**	£472.9m
Forward order book	**£1.9bn**	£1.4bn

Living Space continued to face challenging trading conditions during 2022, due to skilled labour shortages and cost inflation, with an associated impact on margin as a result of a lag in indexation uplifts being applied to contracts. Despite these conditions, the business performed well in its core markets, work winning being a particular highlight, with a forward order book of £1.9bn, growing £0.5bn over the year. Outlook for growth remains positive, with indexation protections improving margins and there being significant opportunities in supporting the decarbonisation of social housing over the coming years.

Smartspace had an excellent year during 2022, responding to a buoyant market, securing work across both the public and private sector. The business has an improved line of sight of future revenue through successful awards of large public sector contracts during the last quarter of 2022.

Wates FM continues to grow, securing new clients during the year and retaining key clients through contract renewals. General market conditions remain positive with demand for high quality facilities management services and increased client procurement activity.

Residential

	2022	2021
Residential turnover Residential Group turnover including the Group's share of joint ventures' and associates' residential turnover	**£310.3m**	£268.0m
Residential statutory turnover Residential statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£288.0m**	£249.3m
Units for which planning permission was achieved	**2,605**	1,295
Units for which planning permission is pending	**3,787**	3,832
Units completed in the year	**739**	400
Open market sales in the year	**119**	73
Active sites at 31 December	**29**	31
Units still to be completed on active sites	**2,605**	1,199
Units completed as a contractor for public sector customers	**655**	400
Forward order book	**£2.0bn**	£1.8bn

Residential works alongside our public sector partners to deliver housing-led developments on publicly-owned brownfield sites. During 2022, the business worked on strategically important sites in Harrow, Havering, Cardiff, Erith and Barking. The Residential business also operates as a construction contractor for public sector customers across London, the South and Wales.

Residential continued to deliver sustainable growth in 2022 completing 739 units (2021: 400) in the year and growing the forward order book from £1.8bn to £2.0bn, predominantly through existing frameworks and relationships. The investment in recent years in development opportunities with joint ventures and collaborations with public sector has led to an increased amount of open market sales in the year, with the business selling 119 homes in 2022 (2021: 73).

Good progress has been made with planning across our joint venture partners and we have secured further work from the Be First framework delivering affordable social housing in Barking and Dagenham. At year end, Residential was active on 29 sites (2021: 31) which will deliver a further 2,605 units over the next few years. Residential is working with its partners to get planning consent on a further 3,787 units which will solidify the pipeline for years to come.

Developments

	2022	2021
Developments turnover Developments turnover including the Group's share of joint ventures' and associates' developments turnover	**£123.2m**	£107.0m
Developments statutory turnover Developments statutory turnover excluding the Group's share of joint ventures' and associates' turnover	**£39.7m**	£25.0m
Acres of controlled privately owned land on which planning is sought	**4,893**	4,360
Units on controlled privately owned land on which planning is sought	**15,812**	14,459
Units for which planning permission was achieved	**991**	510
Units for which planning permission is pending	**2,120**	3,576
Land sales completed	**3**	4
Units completed in the year through joint ventures	**414**	500
Active sites	**10**	12
Units still to be completed on active sites	**1,796**	1,680

Despite challenging market conditions in the latter part of the year, the Developments business had an extremely successful year, both in terms of sales activity and pipeline. The business achieved 414 legal completions through its joint ventures, and completed three significant land sales on consented sites. Two of these disposals, in Buckingham and Oakley near Basingstoke, were to joint ventures adding 530 units to the pipeline. The outlook for planning looks to be becoming ever more challenging but the business starts 2023 in an exceptionally strong position with 991 dwellings on controlled sites with a planning consent, and a further 1,516 where resolutions to grant planning have been passed. The long-term pipeline has also increased by 9.4% net of land/units sold with 15,812 potential plots now under control.

Needspace

Needspace provides flexible office space, studios and managed workspace to small and medium-sized entities in seven centres across London and the South East.

	2022	2021
Needspace statutory turnover	**£3.5m**	£3.2m
Aggregate value of properties	**£45.1m**	£49.5m
Average square feet of occupied floor space	**83,600**	78,124
Average percentage of occupied floor space	**67%**	62%

In December 2022, an internal valuation of the portfolio calculated that the value had reduced by £4.4m (to £45.1m in total). This reduction is in line with the downward valuation of commercial properties more generally. There has been increased activity and viewing levels in recent months and an increase in occupation levels is anticipated in 2023.

Pensions

The defined benefit pension scheme, which is closed to future accrual, has been valued in accordance with FRS102.

	2022	2021
Pension scheme deficit (net of deferred tax)	**£5.9m**	£2.4m
Market value of the scheme's assets	**£189.2m**	£319.3m
Net present value of the scheme's liabilities	**£197.0m**	£322.4m
Remeasurement of net defined benefit liability	**£(16.0)m**	£10.8m
Pension (credit)/charge recognised in accordance with FRS102 in the year	**£(0.4)m**	£0.6m
Deficit funding contributions	**£10.9m**	£8.4m

The increase in the deficit was primarily due to actuarial losses being greater than the deficit funding contributions from the Group.

Shareholders' funds

Shareholders' funds decreased by 3% to £162.3m:

	£m
Shareholders' funds at 31 December 2021 (restated)	166.8
Profit for the financial year	25.6
Pension movements	(12.0)
Dividends	(17.5)
Currency translation difference	(0.6)
Shareholders' funds at 31 December 2022	**162.3**

Tax

The Group's tax liabilities arise and are met fully within the UK. The tax charge for the year (including joint ventures and associates) was £8.0m (2021 restated: £7.3m), which gave an effective rate of 23.9% (2021 restated: 22.5%). This compares to the UK mainstream corporation tax rate of 19%. The current year tax charge exceeds the UK mainstream corporation tax rate principally due to disallowable costs such as the amortisation of goodwill.

Dividends

Dividends of £7.6m, £7.7m and £2.2m were declared in 2022 and paid on 18 March, 8 July and 21 November 2022, respectively. Dividends of £3.4m were declared and paid on 19 November 2021.

Wates Family Enterprise Trust

The Group continued to award funds to the Wates Family Enterprise Trust (WFET) to support its charitable giving. In 2022, this amounted to £1.5m (2021: £0.8m). The themes on which WFET's focuses are: life opportunities for young people; housing; and sustainability.

STRATEGIC REPORT

SECTION 172 COMPANIES ACT 2006

This report sets out how the directors comply with the requirements of Section 172 of the Companies Act 2006 and how these requirements have impacted the Board's decision making throughout 2022.

Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take into account the impact on a wide range of stakeholders. Views of stakeholders are gathered in Board papers and inform the decisions made in Board meetings. Stakeholders are impacted by, or benefit from, decisions made by the Board in different ways. However, it is the Board's priority to ensure that the directors have acted both individually and collectively in a way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006.

Long-term strategy and vision

The Board operates a forward agenda of standing items appropriate to our operating and reporting cycles. Items requiring Board approval or endorsement are defined clearly. These include strategy and key contracts, as well as items required by law and regulation. The Board monitors or reviews progress against strategic priorities, risk management, health and safety, financial performance and the adequacy of internal controls.

After the significant impact of the pandemic in 2020 and early 2021, our performance has recovered to pre-pandemic levels. The focus of the Board in 2022 has been on ensuring that the Group effectively manages the risks posed by high inflation, supply constraints and rising interest rates, exacerbated by the war in Ukraine, while ensuring that the Group is positioned to take advantage of the many opportunities for future growth. The Board approves an updated strategic plan every year and monitors its implementation throughout the year using detailed reports on operating and financial performance. In approving the plan, the Board considers factors such as competitor behaviour, the performance of the residential and construction industries, as well as evolving economic, political and market conditions.

The current strategy is focused on investing additional capital over the next three years in identified growth areas. These include: public sector residential development (in partnership with Public Sector bodies); private sector developments (through Joint Ventures with housebuilders and partnerships); environmental sustainability, decarbonisation offerings and innovation. This increased investment is necessary to achieve the Group's long-term strategic objectives, while balancing the risks caused by changing economic and market conditions. To ensure that adequate returns are earned on this new investment and that the business is able to maintain its levels of performance in all its areas of operation, the Group has reviewed and updated its performance priorities to include innovation and a renewed focus on the customer. For further information see page 14.

In determining the strategic plan, as well as the day-to-day management of the business, the Board considers the views of the key stakeholders referred to in the table below.

EMPLOYEES

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Group biannual roadshows led by the Chief Executive • Third annual Inclusion Month in September 2022 • Employee surveys • Site and office visits by shareholders, directors and members of the Executive Committee • Video content from the family and executive directors • Group-wide newsletters and emails • Internal and external social media channels • Intranet blogs • Group leadership calls from which messaging is cascaded to the workforce • Webinars • Emails from the Chief Executive and other members of the Executive Committee • Competitive compensation arrangements • Leadership conferences for senior leaders	• Development of a new profit share scheme for all employees, with phased implementation over two years from January 2022 • Pay rises were implemented in April 2022 and January 2023 (brought forward by three months in response to the cost-of-living crisis) • Review of the Group's performance priorities introduced in 2021, resulting in the addition of 'innovation' and 'customer' • Further communication about the actions the Group is taking to become more inclusive and diverse • Continuance of the Group's Flexible Working Principles, with emphasis on spending most of the working week in the office for office-based employees • Industry-leading Family Leave policies • Specific Anti Bullying and Harassment policy, embedding a zero- tolerance approach to inappropriate behaviour • Reverse Mentoring programme, which pairs white leaders with colleagues from under-represented ethnicities • Continued emphasis on facilitating the 'debiasing' of the Group's recruitment processes • Launch of Peppy healthcare App available to all employees	• 'People' on pages 18 to 21

CUSTOMERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Regular customer engagement surveys by external companies • Meetings and events (either face-to-face or virtually) • Interaction through the Wates Innovation Network (WIN) portal • Contract negotiation, ongoing management, site visits etc. • Indirect engagement through the Group website, social media interaction, project reports and marketing material • Communication about changes to legislation • Invitation to participate at Group Leadership conferences	• Net Promoter Score (NPS) survey outcomes reviewed by the Board on a monthly basis to monitor progress in customer engagement • Feedback received from customers • Through Wates Sustainable Technology Services (WSTS) and the WIN portal, the Group is supporting its customers to achieve their sustainability targets • Regular, effective and collaborative communication with customers about the Group's efforts to mitigate the effects of inflation and product, materials and labour supply issues on their projects and contracts • Strong customer retention across all of the Group's businesses • Launch of a new Customer Excellence programme • Delivering safely, to a high quality, on time and in line with contractual requirements	• 'Sandwell Aquatics centre' case study on page 37

SUPPLY CHAIN

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Dedicated team responsible for supply chain relationships • 'Meet the Buyer' events • Email bulletins to suppliers (including details of changes in regulations) • Health and safety training • Supply chain workshops • Regular meetings (either face-to-face or virtually) • Contract negotiation, ongoing management and site visits • Indirect engagement through the Group website, social media interaction and project reports • Annual Supplier Conference for key Group supply chain partners	• Providing effective support to supply chain partners in respect of changes in regulation • The Group's consistent and supportive approach with its supply chain over many years has helped it respond effectively to the challenges of the current market (such as high inflation and shortages in product, materials and labour) • The Group's commitment to the Prompt Payment Code has ensured that at least 95% of invoices are paid within 60 days	• 'Principle 6 Stakeholders' on page 122

FINANCIAL INSTITUTIONS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• The CFO and treasury function meet regularly with banks, insurers and providers of finance • Presentation of annual budgets and strategic plans • Quarterly performance reporting	• Early and full repayment of the balance of the Coronavirus Large Business Interruption Loan Scheme (CLBILS) in June 2022 • Renewal of the Group's Revolving Credit Facility in March 2022 of £90m and now sustainability linked • Ongoing covenant compliance and positive average daily net cash of £80.2m (2021: £130.5m)	• 'Cash management' on page 108

COMMUNITIES AND ENVIRONMENT

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• Local community events (e.g. 'Meet the Buyer') • Focused expenditure with Social Enterprises (SEs) • Direct engagement through membership of the Considerate Constructors Scheme (CCS) • Support of charitable programmes • Member of UK Green Building Council (UKGBC)	• Through WSTS, the Group is supporting more of its customers to achieve their sustainability targets through innovation. • Through WSTS' award-winning WIN portal, we are continuing to grow our portfolio of partners providing new solutions to cut carbon and make the built environment industry more sustainable • In 2022, the Group created £183m of social value and engaged with 2,533 young people • In 2022, the Group spent £7.2m on SEs, taking the cumulative spend since 2007 to £45.6m. Since 2007, more than £350m of social value has been created • The Group continues to provide funds to the Wates Family Enterprise Trust. £1.5m was contributed in 2022 (2021: £0.8m), taking the total amount given since 2008 to £16.6m • In 2022, 61% of Wates' priority suppliers were registered with the Supply Chain Sustainability School (SCSS), a 4% increase on 2021	• 'Sustainability Report' on pages 58 to 81 • 'Wates Family Enterprise Trust' on pages 82 to 83

SHAREHOLDERS

HOW THE GROUP ENGAGES	OUTCOMES	FURTHER DETAILS
• We interact with shareholders through away days, corporate events, the Chief Executive's twice-yearly presentation to the Family Council, regular interaction with the Wates family office and through the Group Board (five members of the fourth generation of the Wates family are members of the Group Board) • Annual General Meeting (AGM) • The preparation of the annual report helps shareholders understand the Group's performance during the year	• The directors maintain a regular dialogue with Board members and other shareholders • The Group has approved a long-term increase in investment across its core investing businesses, supporting its objective to become a more profitable and sustainable company	• 'Corporate Governance Report' on pages 118 to 125

Standards of business conduct

The Board is keenly aware of the need to maintain high standards of business conduct. Sir James Wates (Chairman), on behalf of the Secretary of State for Business, Energy and Industrial Strategy, chaired an industry group on corporate governance for large privately-owned companies in 2018. The Group has a strong ethical culture, underpinned by its purpose, behaviours and Code of Conduct. The Code of Conduct sets out the standards that all employees of Wates must follow.

The Board was involved in discussions with the Pensions Trustees on the investment strategy and future deficit funding contributions leading to the 2020 valuation being agreed with the Trustees on 30 March 2021. Ongoing dialogue was maintained with the Pensions Trustee, particularly when UK Gilt rates increased sharply.

The directors take very seriously their responsibility to ensure the Group is a good corporate citizen. Business creates wealth that delivers the investment which, if properly managed by politicians, leads to a fairer and more prosperous society. In 2022, the Group (including its share of joint ventures) contributed taxes, all within the UK, whether borne by the Group or collected on behalf of HMRC of £312.7m (2021: £232.7m). The Group is proud of the part it plays in the industry's contribution to society through its economic activity.

TAXES PAID IN THE YEAR (NOTE 1)	NOTE	2022 £000s	2021 £000s
Taxes borne by the Wates Group			
Corporate income tax payments		**928**	4,750
Employment-related taxes	2	**32,159**	26,196
Other taxes	3	**6,374**	4,763
		39,461	35,709
Taxes collected for HM government (in addition to taxes borne above)			
Employment-related taxes	4	**77,406**	62,828
Net VAT	5	**195,877**	134,133
		273,283	196,961
Total tax contribution (taxes generated by the Group from Wates Group activity)		**312,744**	232,670

Notes
1) All taxes are paid in the UK; none in other jurisdictions
2) Employer national insurance contributions, income tax paid on benefits in kind and apprenticeship and CITB levies
3) Business rates, insurance premium tax, stamp duty land tax, irrecoverable VAT, fuel duty and vehicle and other taxes
4) Income Tax and employee national insurance contributions deducted from salaries and wages
5) Net VAT collected and paid

The Board has approved the Group's policies on anti-slavery and human trafficking and anti-bribery and corruption (which can all be found on the Group's website www.wates.co.uk). The Board has also considered the data and narrative relevant to the Group's gender pay reporting in preparation for external publication. In doing so, it considered proposals to improve the Group's performance in this area.

Approved by the Board of Directors on 24 March 2023 and signed on its behalf by:

SIR JAMES G. M. WATES CBE
CHAIRMAN

P. M. WAINWRIGHT
CHIEF FINANCIAL OFFICER

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2022, under The Companies (Miscellaneous Reporting) Regulations 2019, the company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2019 and available on the FRC website). The following paragraphs summarise how the Group has applied the principles over the past year.

The Group's website contains further supporting information on the Wates Principles (www.wates.co.uk/who-we-are/corporate-governance/).

Principle 1 – Purpose and leadership

We use a Guiding Framework to define our purpose, goals, and behaviours. Our overarching purpose is to inspire better ways of creating the places, communities, and businesses of tomorrow. By ensuring that this purpose is at the heart of everything we do, we will build on our reputation of being a truly progressive, trusted, and sustainable business. We believe that how we do business is as important as what we do. The behaviours that are expected of all our employees are summarised in the Guiding Framework and require everyone to demonstrate in their everyday decisions, language and actions that they care, are fair and always look for a better way to perform.

Our key performance priorities were introduced in 2021; these priorities describe the areas of focus to achieve the goals set out in the Guiding Framework.

In 2022, we updated and amended these priorities to reflect a renewed focus on innovation and to recognise that it is the customer that connects all of them.

The identified priorities are now safety; quality; diversity and inclusion; sustainability; innovation; and, through combining these previous five, the delivery of profit. Binding all these priorities together is a focus on meeting the requirements of the customer. (See Strategy report on page 14 for further details).

Each of these priorities has defined targets, which all business units in the Group are expected to work towards.

Although all of these priorities are important in their own right, they are also inter-linked and inter-dependent, helping Wates to achieve its collective aims as a business.

Our commitment to innovation was evidenced by the launch of our Technical Excellence Centre in 2022, which connects technical experts from across the business to improve building performance and optimise construction techniques.

In terms of our focus on the customer, new initiatives for 2022 included the launch of a new Customer Excellence programme to recognise the value we place on having truly collaborative relationships with our customers.

We are committed to ensuring both the safety of all the buildings with which we are involved, and of those who live in them. A review of current policies and procedures is underway to ensure that they encompass any changes required by the Building Safety Act 2022 and by any secondary legislation (as and when this comes into force), along with the 'golden thread' of information that is required to be created and updated throughout a building's lifecycle. Initial training on the key principles of the Act has been provided to our employees and we have been liaising with our supply chain, sharing our experience and good practice. Any legacy issues are being proactively managed alongside our customers and supply chain.

We have a renewed focus on quality following the Building Safety Act coming into force during 2022. We already have an established process to ensure the successful handover of compliant buildings through our Delivering the Promise programme, which supports our commitment to consistently providing the best value for our customers. We are using the new legislative requirements to ensure that our project delivery processes remain robust and that we remain able to prove compliant delivery on all of our projects.

Alongside this, we have been developing tools to better understand our performance around both delivery phase and post-handover defects, which in some cases could constitute a significant risk to the Group's reputation. As a result of this data we will be targeting defect reduction activities to improve our quality performance further.

We continue to hold our certifications to ISO 9001, 14001, 44001 and 45001, and during 2022 maintained our record of no non-conformities being raised by our external ISO auditors. This is a reflection of the maturity and governance of our integrated management system, the Operating Framework, as well as the high level of compliance of our project teams. The planning of our internal assurance activities was improved during 2022 and further integrated assurance improvements are planned for 2023.

In 2019 a new diversity and inclusion plan was introduced which defined the targets for the Group and explained the type of organisation that we wanted to become. In 2020, we announced a new suite of industry-leading Family Leave policies and held our first 'inclusion Month'. Now in its third year, the September 2022 'Inclusion Month' set out the ambition to move from the awareness phase to the action phase with the theme of allyship at work, which encouraged all individuals to make an allyship commitment. Key to this process was an understanding of social privilege and learning how to extend that understanding to a colleague. Other key initiatives on diversity during the year included the launch of a Mentoring Circles pilot scheme to help on-site female employees build stronger networks and benefit from specialist advice from senior leaders in the business.

As defined in our diversity and inclusion plan, we are committed to having a workforce that more accurately reflects society. We are continuing to make progress against the challenging targets we set ourself to achieve by 2025. These are:

- 40% Female (2022: 30%, 2021: 29%)
- 20% BAME (2022: 14%, 2021: 13%)
- 3% Disability (2022: 3%, 2021: 3%)
- 5% LGBTQ+ (2022: 5%, 2021: 2%)

Recent initiatives, including the launch of a new Anti-Bullying and Harassment policy and the introduction of a Reverse Mentoring programme, were designed to help attract and develop talented candidates from a much wider and more diverse range of personal and professional backgrounds. In the longer term these are expected to help close the Group's gender pay gap, which is an area of continuing focus.

In 2021, we formalised a set of Flexible Working Principles, which focus on rethinking where, when and how work can be done in a way that maintains or improves delivery for our customers, while also improving the lives and careers of employees. In 2022, as the pandemic diminished, we encouraged a return to the office, asking office-based employees to commit to spending the majority of the working week in the office, thereby furthering collaboration and effective team working. For information on how the Board engages with employees and considers their views see page 114 of the Section 172 Companies Act 2006 report.

In 2022 we launched a new Code of Conduct with the strapline 'doing the right thing without compromise' along with a digital Toolkit for employees. The new code sets the standards of behaviour expected from everyone in the business every single day and ensures that collaboration, engagement and communication with partners, contractors, suppliers and between colleagues takes place in a way that reflects the highest standards of integrity and ethical behaviour. It also demonstrates to the communities that we serve that they can trust us to do the right thing, while ensuring we have a reputation which makes us attractive to new customers and talent. Ultimately it will generate loyalty from those we work with, retaining customers and the best talent within the business.

As part of our continuing drive to become more sustainable, we have set challenging environmental sustainability targets. Progress against these targets is discussed in detail within the Sustainability Report on page 58. A key area of focus for 2022 was the roll-out of our Environmental Metrics app, a new internal reporting platform to simplify and improve environmental reporting across the Group's business units. Our commitment extends to helping our customers and partners deliver in this area, see pages 66 and 67 for further information.

Delivering social value is intrinsic to our purpose and to our goal of being a progressive and responsible employer. By considering social value in all our business decisions, including the way we employ staff, engage with communities and buy products and services, we can cultivate a more sustainable and inclusive society, demonstrating that good business done well can be a powerful force for good. For further information on our progress in this area, see the Social Value report on page 63.

Principle 2 – Board composition

The Board comprises a Chairman, whose responsibilities encompass leading and managing the Board, ensuring its effectiveness and the quality of its governance, and making sure that the family's values are reflected in the purpose, goals and behaviours of the Group. Together with the Chief Executive he ensures that the balance of responsibilities, accountabilities and decision-making across the Group are maintained effectively. They are augmented by a Chief Financial Officer, the Executive Managing Director of the Wates Construction Group, three independent non-executives and four family members (excluding the Chairman). Independent non-executive directors bring experience in property development, engineering, finance and audit, as well as perspectives and challenges from outside the sectors in which the Group operates. The size (eleven members in total) and composition of the Board is appropriate for a Group with turnover of £1.89bn, operating in five complementary market sectors and is comparable to the Boards of similar listed businesses.

In 2021, the Board considered the requirement to have detailed succession plans in place both for the Board and other members of the senior management team. Succession planning is evidenced by the announcement that Tim Wates will be appointed Chairman at the AGM in 2023, with Sir James Wates stepping down. We thanks Sir James Wates for his service over the last 10 years. Additionally, following the departure of David Allen in July, Philip Wainwright acted as interim Chief Executive until the arrival of Eoghan O'Lionaird in February 2023.

The directors acknowledge that there is a lack of diversity on the Board, particularly in the context of the diversity and inclusion targets that were approved by the Board in 2019. The Board remains committed to developing a more diverse workforce, including at the most senior levels, and it demonstrated this commitment in 2021 by endorsing the CBI Change the Race Ratio campaign, which includes a drive to increase ethnic and racial diversity and inclusion in boardrooms and among senior leadership teams of businesses.

An independent evaluation of Board effectiveness was performed in 2022. The review assessed that the Board has the knowledge and experience required to support delivery of the strategy and that it has ensured that the Group has established ethical guidelines, purposes and values. In addition, it was noted that the Board has in place proper instructions and procedures for monitoring business risks in operations and that the Group's internal financial controls work well. The report highlighted areas of interest for future development which are currently being worked on, for example, succession planning for key roles in the management team.

A biography for each Board director can be found on the Group's website www.wates.co.uk/who-we-are/ and on pages 84 to 89.

Principle 3 – Director responsibilities

The Board has a programme of six principal meetings every year, plus an additional day for strategic planning. As part of every Group Board meeting, the governance of the Group is included as a standing agenda item. The Board's key areas of focus in 2022 are noted in the Section 172 Companies Act 2006 report on pages 113 to 117.

The Board receives regular and timely information on all key aspects of the business, including on health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability. These are all supported by Key Performance Indicators (KPIs).

The Board approves an updated strategic plan for at least the next three years on an annual basis. For details of the output of the strategic plan see the Section 172 Companies Act statement on page 113.

In addition to approving the 2021 Annual Report and Accounts, in 2022 the Board approved the Group's annual Anti-Bribery and Corruption report, demonstrating its commitment to the prevention of bribery and corruption, and signed off both the annual Modern Slavery Statement and the Tax Strategy Annual Statement. The Board continues to be consulted in respect of the pension fund investment strategy on an ongoing basis.

During the year, the Board also considered the execution of a new £90m sustainability linked three-year Revolving Credit Facility, replacing the pre-existing facility which expired in March 2023.

The Board operates four standing committees: Audit Committee, Remuneration Committee, Nominations Committee and Sustainability Committee, details of which can be found on pages 123 to 125.

To support good governance, the Audit Committee regularly reviews the relationship with the external auditors and has a policy that, at least every ten years, the external audit will be considered for re-tender. The Group undertook a tender process in 2019 that resulted in BDO LLP becoming the statutory auditors.

Principle 4 – Opportunity and risk

The Board seeks out opportunity while mitigating risk. In 2022 the Board undertook a review of its principal risks as part of its commitment to continuous improvement. The Group's key operational risks and mitigations are outlined in the Strategic report (and are noted as 'Principal risks') on pages 94 to 106. The Board also considers all major projects (defined by their value and risk profile) and approves them before any bids are finalised.

While the Board has overall responsibility for ensuring the Group's systems of risk management and internal control are operating effectively, the Chief Executive is accountable to the Board for the effective management of risks and the identification of opportunities on a day-to-day basis. Individual members of the Executive Committee reporting to the Chief Executive are accountable for specific risks and opportunities within their remits. The Group re-established an Executive-level Risk Committee in the period – a sub-committee of the Executive Committee – as part of our governance structure (see page 125 for more information). Day-to-day risks are also managed by the Business Unit Boards at a divisional level and then consolidated and reported through the Executive Committee to the Group Board.

The Executive Committee considers risks as part of the routine management of the business. In 2021, alongside management of the latter stages of the COVID pandemic, there was a particular focus on the potential risk to the Group's current and future performance caused by cost inflation and constraints on the availability of labour, products and materials. This theme continued into 2022 and was exacerbated by rising interest rates and the war in Ukraine. The Board continues to review and monitor the management team's response to inflation and availability constraints, across all our businesses, and the potential impact on future performance. Other areas of focus in 2022 included the risks and opportunities arising from the Building Safety Act 2022, negotiation of a new Revolving Credit Facility, cyber security and the negotiation of contractual terms on large projects won in the year.

Following the introduction of the Wates Corporate Governance Principles for Large Private Companies the Executive Committee has formalised the process of consideration of opportunities, as well as risks. Some of the opportunities that have been considered at recent Committee meetings include: leveraging the Group's position as a trusted partner on a number of public and private sector frameworks; additional investment opportunities (as discussed within the Section 172 Companies Act Statement on page 113); maximising the integration of the Group's project and contract delivery capabilities and the potential impact of the Group's diversity and inclusion, social value and carbon reduction plans. In addition, the Committee is also considering the requirements of the Building Safety Act 2022, both in terms of the obligations it places on the Group and the opportunities it presents to grow the business and opportunities arising from the drive to improve the energy efficiency of new and existing buildings.

Principle 5 – Remuneration

We aim to have remuneration polices which are fair and meritocratic. The structure and level of remuneration is set to enable us to attract and retain the best employees and motivate high performance at all levels in the organisation.

Our performance in 2021 returned to pre-pandemic levels and this allowed the Board to approve a return to pre-pandemic incentive arrangements for 2022. The Board also approved pay-rises from April 2022 and brought forward pay-rises scheduled for April 2023 to January 2023 in response to the cost of living crisis brought on by high inflation, energy price increases and rising interest rates.

Throughout 2021 and 2022, focus was on a redesign of the Group's future incentive arrangements for all employees. The new arrangement, which is a profit-share scheme, will ensure that all employees are aligned with the shareholders' objectives of delivering a sustainable, more profitable business.

We continue to publish our gender pay reporting externally. At 5 April 2021, the median gender pay gap across all Wates Group employees was 30.5% (5 April 2020: 32.9%). It is important to note that the COVID-19 pandemic had a significant impact on our pay practices in the second quarter of 2020 and a significant number of employees were excluded from the data as they were furloughed at the snapshot date. The diversity and inclusion plan includes changes that should lead to improvements in the gender pay gap. We intend to publish our 2022 report around the end of March 2023.

Principle 6 – Stakeholders

The Board is clear that good governance and effective communication are essential if the business is to fulfill our purpose and protect our brand, reputation and relationships with stakeholders, which include shareholders, customers, employees, suppliers, financial institutions, and the wider communities in which we work. In 2022, particular consideration was given to communication in relation to the departure of the Chief Executive and the commencement of a number of large projects.

The health and safety of the Group's employees and other stakeholders remains our number one priority and the directors regularly review performance in this area. The Board's commitment to creating a sustainable zero-harm working environment has resulted in an industry-leading performance for seven consecutive years. In addition, the Board is conscious of the importance of obtaining the support of the Group's customers and supply chain partners in delivering on our sustainability objectives. For further information see the Sustainability Report on page 58.

We continue to publish data as part of our duty to report on payment practices and performance. The speed with which contractors pay their suppliers is a 'hot' topic within the construction sector. One of the key metrics is the proportion of invoices paid within 60 days. The Prompt Payment Code requires members to pay at least 95% of invoices within 60 days. The Group predominately trades through two statutory entities that operate as main contractors and which report their payment performance externally. For the six-month period ending 31 December 2022, Wates Construction Limited has paid 97% of its invoices within 60 days (H2 2021: 96%) and Wates Property Services Limited has paid 98% of its invoices within 60 days (H2 2021: 98%).

Our engagement with stakeholders in 2022 was more important than ever as many of the decisions made by the Board had direct implications for them, and in particular for its employees. Stakeholder engagement is discussed in detail within the Section 172 Companies Act 2006 report on pages 113 to 117.

CORPORATE GOVERNANCE REPORT

COMMITTEE INFORMATION

The role of the Board

The Board's primary responsibility is to promote the long-term success of the Group so that we fulfill our purpose of creating sustainable shareholder value and making a lasting contribution to society. The Board seeks to achieve this by setting out an overarching strategy, monitoring performance against strategic objectives, and reviewing the Executive Committee's implementation of the strategy.

A formal schedule of matters reserved for Board approval is maintained and reviewed regularly. This includes a determination of the Group's strategy and long-term direction, a review of health and safety performance, approval of budgets, capital expenditure, organisational changes (including new business ventures and the acquisition or disposal of assets) and changes in key policies. The Board also monitors the effectiveness of the Group's systems of internal control, governance and risk management.

The Board delegates authority for all day-to-day management of the Group's affairs to the Executive Committee. In addition, certain governance responsibilities are delegated to Board committees, which support the Board in carrying out its duties. These committees are made up of independent non-executive directors, together with non-executive directors from the Wates family and provide the Board with independent oversight.

Group Board

Details of individual directors' attendance of Board meetings in 2022 are shown in the following table:

NAME OF DIRECTOR	MAXIMUM NO. OF PRINCIPAL BOARD MEETINGS DIRECTOR COULD ATTEND	NO. OF PRINCIPAL BOARD MEETINGS DIRECTOR ATTENDED	PERCENTAGE OF PRINCIPAL BOARD MEETINGS ATTENDED
Chairman			
Sir James Wates	6	6	100%
Executives			
David Allen, Chief Executive* *(resigned 16 August 2022)*	3	3	100%
Philip Wainwright, Chief Financial Officer	6	6	100%
Paul Chandler, Executive Managing Director, Wates Construction Group	6	6	100%
Non-Executives – Family			
Timothy Wates, Deputy Chairman	6	6	100%
Andrew Wates	6	6	100%
Charles Wates	6	6	100%
Jonathan Wates	6	6	100%
Non-Executives – Independent			
Susan Harris	6	6	100%
Jeremy Newsum	6	6	100%
Jonathan Oatley	6	5	83%

* The role of Interim Chief Executive was undertaken by the Chief Financial Officer from July 2022 to February 2023. Nick Jones attended Board and Audit Committee meetings from July 2022 to February 2023 in his capacity as Interim Chief Financial Officer.

Audit Committee

The Audit Committee's primary responsibilities are: the integrity of the Group's financial statements; the effectiveness of internal controls; the performance of the internal audit function; the performance and independence of the external auditors; risk management; and our compliance with legal and regulatory requirements.

The Committee has clearly defined terms of reference, which are reviewed annually and maintained by the Company Secretary. These outline the Committee's objectives and responsibilities relating to financial reporting, internal controls, risk management, and the application of appropriate accounting standards and procedures. Specific responsibilities include reviewing and recommending for approval the annual financial statements, reviewing the Group's accounting policies, estimates and judgements, reviewing the effectiveness of internal controls, internal audit and risk management processes and reviewing the scope and results of the external audit.

Susan Harris, a chartered management accountant, is Chair of the Audit Committee. During the year the Committee comprised two other Non-Executive directors: Andrew Wates, a director of the Wates family; and Jonathan Oatley, an Independent non-executive director. The Committee was supported by a number of Board and senior management attendees. The Board is satisfied that the recent and relevant financial experience and sector knowledge of both the Committee Chair and the Committee's members during 2022 followed the principles of good governance in relation to their collective skills, knowledge and experience. The Committee approves the internal audit plan of work annually and approves any changes to that plan as may be required throughout the reporting period. The Committee is satisfied that the Internal Audit team is appropriately resourced.

External Auditors

The Group appointed BDO LLP as external auditors on 1 November 2019. The Committee assesses the effectiveness of the external auditors' performance after the completion of the annual audit, including an assessment of their governance, independence and professionalism. In July 2022, the Committee evaluated the external auditors' performance in relation to the 2021 audit. Both management and the external auditors are committed to a positive working relationship that enhances the effective and efficient execution of the audit plan. The Audit Committee re-tenders the external audit service at least every ten years, in accordance with good practice.

As a private company, the Group is not subject to external restrictions in terms of the non-audit work that is provided by the external auditors, but for good governance we have chosen to implement our own policy in relation to their remuneration and the extent of their non-audit services, which are kept to a de minimis level.

Remuneration Committee

The Committee's primary objective is to set remuneration at a level that will enhance the Group's resources by attracting, retaining and motivating quality senior management who can deliver the Group's strategic ambitions within a framework that is aligned with shareholder interests.

The Committee firmly believes that the best people, remunerated effectively, with an emphasis on performance-related pay, strengthen the Group's ability to face challenges emanating from economic and market changes and help us deliver long-term sustainable value for all stakeholders.

In 2022, the Remuneration Committee comprised three non-executive directors and was chaired by Jonathan Oatley. Members of the Committee during the year included Jeremy Newsum, Independent Non-Executive Director and Timothy Wates, a director from the Wates family, supported by members of the Board.

Nominations Committee

The Board operates a Nominations Committee to ensure that it remains balanced and effective, that succession plans are in place and that its structure, composition and skillset remain aligned to the Group's strategic objectives. The Committee's primary objective is to identify and evaluate candidates for future appointments and, in doing so, it takes advice from independent external recruitment consultants. In 2022, the Committee was chaired by Sir James Wates until July and by Timothy Wates thereafter and comprised six members, of which three were independent non-executive directors (Susan Harris, Jonathan Oatley and Jeremy Newsum) and three were family directors (Sir James Wates, Timothy Wates and Andrew Wates).

Sustainability Committee

The Committee brings oversight and challenge to the Group's corporate responsibility programmes and explores the impact and opportunities that global trends might bring to the built environment sector. In 2022, the Committee was chaired by Jonathan Wates, a non-executive director from the Wates family, and its members included Susan Harris, an independent non-executive director, the Chief Executive and Chief Financial Officer, with invitations extended to the Group Safety, Health, Environment, Quality and Sustainability Director, the Environmental Sustainability Director, the Group Public Sector Director and other key members of the management team.

Executive Committee

The Executive Committee is responsible for the day-to-day management of the Group's business affairs. It is led by and chaired by the Chief Executive. The Committee is responsible for ensuring that the agreed strategy is implemented in a timely and effective manner.

The Executive Committee consists of individuals responsible for the strategic business units and key functions. A list is on page 90 and a biography for each Executive Committee member can be found on the Group's website www.wates.co.uk.

Executive Risk Committee

The Executive Risk Committee is a management sub-committee of the Executive Committee. It has a reporting line to, and also supports, the Audit Committee. The purpose of the Committee is to assist the Executive Committee and Audit Committee in overseeing the effectiveness of the Group's risk management framework and legislative and regulatory compliance programmes.

In 2022, the Committee was chaired by the Chief Financial Officer and comprised of members of the Executive Committee, with invitations extended to the Group Legal Director and Group Head of Assurance.

DIRECTORS' REPORT

The directors present their Annual accounts and reports for the year ending 31 December 2022. This report is to be read in conjunction with the Strategic report on pages 94 to 117.

Principal activities

The company continues its activities and roles, including the financing of the Group's activities, acting as holding company for its subsidiaries and associates and active management of many of the Group's joint Ventures.

Dividends

The directors declared dividends in 2022 totaling £17,519,365 (2021: £3,380,300) of which £7,619,700 was paid on 18 March 2022, £7,724,567 was paid on 8 July 2022 and £2,175,098 was paid on 21 November 2022. No further dividends have been declared in the year ended 31 December 2022.

Health and safety

The Board remains committed to the effective management and monitoring of health and safety and to providing a safe working environment for all employees and partners and to keeping members of the public free from harm. The Group's 'Zero Harm' campaign 'we're safer together' remains a key strategic priority to further enhance the Group's health and safety performance and to develop the leadership skills and behaviours required to achieve a positive and high performing culture.

Employees

We recognise the importance of engaging employees to help them make their fullest contribution to the business. The Group views this as fundamental to achieving its strategy and long-term objectives. We use a variety of media to inform employees about development and prospects and seek out and listen to employees' views and opinions at all times.

The Group's roadshow, which is open to all employees, is the mechanism through which the Chief Executive informs and updates staff on our performance, plans and future outlook and provides employees with an opportunity to ask questions, or to seek clarification, on our purpose, goals and direction. There were two roadshows during 2022, both of which were broadcast online.

Employee surveys are undertaken periodically to allow colleagues to provide honest feedback about their experience working at Wates. Twice a year, the Group's senior leadership team convenes to share knowledge, disseminate good practice and to discuss strategic priorities. Informal meetings are held at business unit and regional levels and further communication is affected through the use of a group-wide intranet and enterprise social network, electronic bulletins, notice boards, social media, the Group's website and blogs from contributors from all parts of the Group.

We are committed to improving the skills of employees through training and development and by nurturing a culture in which employees feel valued for their contribution and motivated to achieve their full potential. Statistics relating to the average number of people employed by the Group during the year can be found in note 5 to the accounts.

Equal opportunities

We are an active equal opportunities employer and we promote an environment free from discrimination, harassment or victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The Group has for many years focused on fostering a diverse and inclusive working environment and has implemented specific development programmes to assist business leaders to engage further with their teams and to demonstrate the contribution that each individual can make to the success of the Group. We are committed to growing a diverse pool of talent for the purpose of long-term succession planning.

The Group is committed to being actively and consistently anti-racist and has a zero tolerance approach to racism in all of its workplaces and in everything it does.

We give full and fair consideration to applications for employment made by disabled people and encourage and assist the recruitment, training, career development and promotion of disabled people. The Group endeavours to retain and adjust the environment of employees who become disabled during the course of their employment.

Corporate responsibility

Corporate responsibility continues to remain an integral part of our business and long-term strategic aspirations. The Group's approach, priorities and objectives in the corporate responsibility arena, specifically to the environment and communities in which it works, are published, communicated and embedded within the business as part of our overarching strategic objectives.

Research and development

We are dedicated to the research and development of innovative construction methods and techniques, focusing on areas such as enhanced safety, project delivery, the development and integration of new materials and working techniques, energy efficiency and information modelling.

Share capital

Details of the company's share capital are set out in note 20 to the accounts.

Articles of Association

The company's Articles of Association may be amended by a special resolution of the company's shareholders. The current Articles were adopted by shareholders on 5 May 2022.

Conflicts of interest

The company's Articles permit the Board to consider and, if deemed fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the company. In the event that a director becomes aware that they have an interest that may arise in a conflict they are required to notify the Board in writing. Internal controls are in place to ensure that any related party transactions involving directors are conducted on an arm's length basis. Directors have a continuing duty to update changes to these conflicts. The Board considers that the procedures in place for reporting and considering conflicts of interest are effective.

Directors' and officers' indemnities and insurance

The company's Articles of Association provide for the indemnification of its directors and the Company Secretary to the extent permitted by the Companies Act 2006 and other applicable legislation, out of the assets of the company, in the event that they incur certain expenses in connection with the execution of their duties. In addition, and in common with many other companies, the company has directors' and officers' liability insurance, in respect of certain losses or liabilities to which officers of the company may be exposed in the discharge of their duties.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Sir James G. M. Wates, CBE (Chairman)

Timothy A. D. Wates (Deputy Chairman)

David O. Allen (Chief Executive)
(resigned 16 August 2022)

Eoghan P. O'Lionaird (Chief Executive)
(appointed 20 February 2023)

Philip M. Wainwright (Chief Financial Officer)

Paul Chandler (Executive Managing Director Wates Construction Group)

Susan E. Harris

Jeremy H.M. Newsum

Jonathan M. Oatley

Andrew E. P. Wates

Charles W. R. Wates

Jonathan G. M. Wates

The role of Interim Chief Executive was undertaken by the Chief Financial Officer from July 2022 to February 2023.

Donations

During the year the Group made charitable donations amounting to £1.6m (2021: £0.8m). No political donations have been made.

Going concern

The directors have reviewed the forecast future performance of the Group and have prepared a cash flow forecast for 12 months from the date of approval of these financial statements. The Board considers it has sufficient cash reserves to continue trading, while meeting the financial covenants set within its banking facilities.

Accordingly, the directors continue to adopt the going concern basis in preparing the Group's accounts. Further details regarding the adoption of the going concern basis can be found in note 1 to the accounts.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Annual general meeting

The next Annual general meeting of the company will be held on Thursday 4 May 2023.

Streamlined Energy and Carbon Report

The Streamlined Energy and Carbon Report is presented on page 76.

Post balance sheet events

There were no post balance sheet events requiring disclosure.

Approved by the Board of Directors on 24 March 2023 and signed on its behalf by:

P. M. WAINWRIGHT
SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in UK and Republic of Ireland' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WATES GROUP LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Wates Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with those requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. Our audit procedures were designed at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, financial reporting legislation, the Companies Act 2006, distributable profits legislation and UK pensions and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, review of board and committee meeting minutes, enquiries with management, enquiries of external legal advisors, review of correspondence with external legal advisors and review of external press releases.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting, the valuation of investment properties and defined benefit pension scheme accounting.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Charles Ellis
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CHARLES ELLIS (SENIOR STATUTORY AUDITOR)

for and on behalf of BDO LLP,
Statutory Auditor
London, UK

24 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 £000s	2021 (RESTATED) £000s
Group turnover:			
Group and share of joint ventures and associates		**1,894,071**	1,626,026
Less share of turnover of joint ventures and associates		**(107,174)**	(103,775)
Group statutory turnover	2	**1,786,897**	1,522,251
Cost of sales		**(1,587,057)**	(1,345,150)
Gross profit		**199,840**	177,101
Administrative expenses		**(174,498)**	(154,500)
Net deficit on revaluation of investment properties		**(4,399)**	(1,596)
Other operating income	3	**94**	894
Group operating profit	4	**21,037**	21,899
Share of post-tax profit from joint ventures and associates		**7,278**	7,662
Group statutory operating profit: Group and share of joint ventures and associates		**28,315**	29,561
Analysed between:			
Total operating profit before interest and tax		**36,184**	35,269
Net interest payable – joint ventures and associates		**(5,739)**	(4,258)
Tax – joint ventures and associates		**(2,130)**	(1,450)
Interest receivable	7	**5,545**	4,130
Interest payable and similar charges	7	**(2,326)**	(2,540)
Group statutory profit before tax		**31,534**	31,151
Analysed between:			
Group profit before tax and before tax of joint ventures and associates		**33,664**	32,601
Tax – joint ventures and associates		**(2,130)**	(1,450)
Tax on profit	8	**(5,916)**	(5,890)
Group profit for the financial year		**25,618**	25,261

The above results have been derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 £000s	2021 (RESTATED) £000s
Group profit for the financial year		**25,618**	25,261
Currency translation difference on foreign currency net investment		**(532)**	(24)
Remeasurement of net defined benefit liability	24	**(16,036)**	10,820
		(16,568)	10,796
Tax relating to components of other comprehensive income	24	**4,009**	(1,396)
Other comprehensive (expense)/income for the year		**(12,559)**	9,400
Total comprehensive income for the year		**13,059**	34,661

The profit and total comprehensive income for the financial years set out above is all attributable to equity shareholders of the company.

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2022

	NOTES	2022 £000s	2021 (RESTATED) £000s
Fixed assets			
Intangible assets – goodwill	9	**38,105**	41,582
Tangible assets	10	**65,140**	69,517
Investments in joint ventures and associates	11	**111,102**	104,989
Other investments	11	**266**	292
		214,613	216,380
Current assets			
Stocks	12	**54,136**	75,086
Debtors			
– due within one year	13	**392,594**	280,335
– due after one year	13	**62,920**	37,063
		455,514	317,398
Cash at bank and in hand	14	**206,917**	228,719
		716,567	621,203
Creditors: amounts falling due within one year	15	**(668,037)**	(559,209)
Net current assets		**48,530**	61,994
Total assets less current liabilities		**263,143**	278,374
Creditors: amounts falling due after more than one year	16	**(20,603)**	(51,952)
Provisions for liabilities	17	**(80,247)**	(59,669)
Net assets		**162,293**	166,753
Capital and reserves			
Called up share capital	20	**14,777**	14,777
Share premium account	20	**956**	956
Capital redemption reserve	20	**17,447**	17,447
Profit and loss account	20	**129,113**	133,573
Shareholders' funds		**162,293**	166,753

The notes on pages 140 to 169 form part of these accounts.

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 24 March 2023 and signed on its behalf by:

SIR JAMES G. M. WATES CBE
CHAIRMAN

P. M. WAINWRIGHT
CHIEF FINANCIAL OFFICER

COMPANY BALANCE SHEET

AT 31 DECEMBER 2022

	NOTE	2022 £000s	2021 £000s
Fixed assets			
Investments	11	**103,407**	124,147
Current assets			
Debtors			
– due within one year	13	**117,520**	94,053
– due after one year	13	**2,144**	1,714
		119,664	95,767
Cash at bank and in hand		**48,079**	93,948
		167,743	189,715
Creditors: amounts falling due within one year	15	**(167,580)**	(168,028)
Net current assets		**163**	21,687
Total assets less current liabilities		**103,570**	145,834
Creditors: amounts falling due after more than one year	16	**-**	(33,960)
Net assets		**103,570**	111,874
Capital and reserves			
Called up share capital	20	**14,777**	14,777
Share premium account	20	**956**	956
Capital redemption reserve	20	**17,447**	17,447
Profit and loss account	20	**70,390**	78,694
Shareholders' funds		**103,570**	111,874

The notes on pages 140 to 169 form part of these accounts.

The profit for the financial year dealt with in the accounts of the parent company was £9,215,000 (2021: £72,192,000). This includes dividends received from subsidiaries and joint ventures of £11,886,000 (2021: £76,000,000).

The financial statements of Wates Group Limited (registered number 01824828) were approved by the Board of Directors on 24 March 2023 and signed on its behalf by:

James Wates

SIR JAMES G. M. WATES CBE
CHAIRMAN

P. Wainwright

P. M. WAINWRIGHT
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2020 (restated)	25	**14,777**	**956**	**17,447**	**102,292**	**135,472**
Profit for the financial year (restated)	25	-	-	-	25,261	25,261
Currency translation difference on foreign currency net investment		-	-	-	(24)	(24)
Remeasurement of net defined benefit liability		-	-	-	10,820	10,820
Tax relating to items of other comprehensive income		-	-	-	(1,396)	(1,396)
Total comprehensive income (restated)		-	-	-	34,661	34,661
Dividends declared on equity shares	20	-	-	-	(3,380)	(3,380)
At 31 December 2021 (restated)	25	**14,777**	**956**	**17,447**	**133,573**	**166,753**
Profit for the financial year		**-**	**-**	**-**	**25,618**	**25,618**
Currency translation difference on foreign currency net investment		**-**	**-**	**-**	**(532)**	**(532)**
Remeasurement of net defined benefit liability		**-**	**-**	**-**	**(16,036)**	**(16,036)**
Tax relating to items of other comprehensive income		**-**	**-**	**-**	**4,009**	**4,009**
Total comprehensive income		**-**	**-**	**-**	**13,059**	**13,059**
Dividends declared on equity shares	20	-	-	-	(17,519)	(17,519)
At 31 December 2022		**14,777**	**956**	**17,447**	**129,113**	**162,293**

ACCOUNTS AND NOTES TO THE ACCOUNTS

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COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	CALLED UP SHARE CAPITAL £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
At 31 December 2020	**14,777**	**956**	**17,447**	**9,882**	**43,062**
Total comprehensive income	-	-	-	72,192	72,192
Dividends declared on equity shares	-	-	-	(3,380)	(3,380)
At 31 December 2021	**14,777**	**956**	**17,447**	**78,694**	**111,874**
Total comprehensive income	**-**	**-**	**-**	**9,215**	**9,215**
Dividends declared on equity shares	-	-	-	(17,519)	(17,519)
At 31 December 2022	**14,777**	**956**	**17,447**	**70,390**	**103,570**

The total comprehensive income of the company for each of the two years ended 31 December is its profit for those financial years.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTE	2022 £000s	2021 £000s
Net cash (outflow)/inflow from operating activities	21	**(10,489)**	1,778
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**28**	-
Proceeds from sale of unquoted investments		**256**	-
Proceeds from sale of properties with equity loans		**37**	103
Purchase of tangible fixed assets		**(7,375)**	(4,434)
Loans provided to joint ventures		**(21,700)**	(92,219)
Loans repayments from joint ventures		**25,913**	115,862
Dividends received from joint ventures		**14**	62
Net cash (outflow)/inflow from investing activities		**(2,827)**	19,374
Cash flows from financing activities			
Equity dividends paid		**(17,519)**	(3,380)
Bank loans borrowed		**60,000**	-
Bank loans repaid		**(105,000)**	(5,000)
Net cash outflow from financing activities		**(62,519)**	(8,380)
Net (decrease)/increase in cash and cash equivalents		**(75,835)**	12,772
Cash and cash equivalents at the beginning of the year		**228,719**	215,947
Cash and cash equivalents at the end of the year		**152,884**	228,719

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The principal accounting policies, which have all been applied consistently throughout the year and the preceding year, are set out below.

i) General information and basis of accounting

Wates Group Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given on page 93. The nature of the Group's operations and its principal activities are set out in the Strategic report.

These accounts have been prepared under the historical cost convention, modified by the revaluation of investment properties, in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Wates Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

Wates Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate accounts, which are presented alongside the consolidated accounts. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and intra-group transactions.

In accordance with Section 408 of the Companies Act 2006, no separate profit and loss account has been presented for the company. However, the profits for the year and the prior year have been disclosed with the company balance sheet.

ii) Basis of consolidation

The consolidated accounts include the accounts of Wates Group Limited and its subsidiary undertakings up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the accounts of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these accounts in respect of business combinations affected prior to the transition to FRS 102 on 1 January 2014.

iii) Going concern

The activities of the Wates Group, along with the factors that may affect its future performance and position are set out in the Directors' report.

As at 31 December 2022, the Group had net cash of £152.9m, access to £90m of undrawn bank facilities (through the Group's £90m Revolving Credit Facility (RCF) which expires in March 2025 with the potential for a one year extension) and a strong forward secured order book which underpins the forecast for 2023. The Directors regularly review the working capital requirements and financial resilience of the Group as part of reviewing scenarios that test a range of sensitivities to future performance.

The Directors have reviewed the forecast performance of the Group based on their current expectations about the future. This expectation draws on management's understanding of each sector that the Group operates in and anticipates a continuation of the current level of activity across the Group. Turnover levels are forecast to continue to increase throughout 2023. Within these forecasts, a significant proportion of the Group's revenue is already secured.

The Group has prepared a cash flow forecast for 12 months from the date of approval of these financial statements and the Group considers it has sufficient cash reserves to continue trading, while meeting the financial covenants set within its RCF. The Group is not forecasting to draw down on its £90m RCF in the next 12 months.

In addition, the Group has considered a range of potential downside scenarios of escalating impact and duration. Some plausible downside scenarios include: a significant contract loss, a reduction in contracting turnover similar to that experienced in 2020, an increase in costs without any client recovery, and reductions in prices for both housing and land sales. The Group does not consider a prolonged shut down of construction or contracting activities as a likely scenario as these activities continued throughout the recent pandemic. The Group's cash has remained resilient throughout 2022 and it only utilised a portion of the RCF following the early repayment of its CLBILS facility during the year. While the cash flow impacts of these scenarios are materially different to the current forecast, the Group's forecast and reasonable worst-case scenarios indicate that it would be able to continue trading for at least 12 months from the date of approval of the financial statements.

After making enquiries and considering the factors and sensitivities outlined above for a range of scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

iv) Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary course of business. The fair value of consideration takes into account trade discounts, settlement discounts, volume rebates and other fees receivable.

When cash flows are deferred and represent a financing arrangement the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and a nominal amount received is recognised as interest income.

Turnover excludes the value of intra-group transactions and value added tax.

The Group's share of turnover of joint ventures and associates is disclosed separately in the consolidated profit and loss account.

Construction contracts

Turnover represents the value of work done on contracting activities, which is recognised on a percentage of completion basis with reference to costs incurred to date as a proportion of forecast total costs.

Rendering of services

Turnover is recognised as the service is performed. For contracts that are delivered as a service and when the services performed are an indeterminate number of acts over a specified period of time (for example for services such as responsive maintenance and facilities management), revenue is recognised on a straight line basis. For responsive maintenance contracts where the contract can be split into individual separable projects (and revenue can be directly attributed to that project), each project is accounted for on a percentage completion basis with reference to costs incurred to date as a proportion of forecast total costs.

Sale of land or services to promote land

Turnover is recognised on the sale of land or services to promote land on which unconditional exchange of contracts has taken place within the year.

Sale of residential and development properties

Turnover is recognised on the sale of residential properties and development properties that are legally completed within the year.

Rental income

Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term.

v) Pre-contract costs

Pre contract costs include direct internal and external costs associated with tendering and design activities. Costs on construction contracts are written off to the profit and loss account up until the point it is probable that the Group will be awarded the contract, at which point they are capitalised. Capitalised costs are assessed for impairment at each reporting date. For certain large multi-year frameworks, pre-contract costs are capitalised when it is sufficiently probable that the contract will be obtained.

vi) Research and development

Research and development costs are written off as incurred.

vii) Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life (20 years). The useful economic life of goodwill is based on the long-term nature of the contracts and history of the subsidiary undertakings and businesses acquired. Provision is made for any impairment.

viii) Tangible fixed assets and depreciation

Investment properties are measured at fair value annually with any change recognised in the profit and loss account. Depreciation is not provided in respect of freehold investment properties.

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on the following categories of tangible fixed assets in equal annual instalments over the estimated useful lives of the assets so as to write off cost less estimated residual values over the following periods:

Leasehold improvements	period of lease
Plant and equipment	2 to 10 years
Business systems software	2 to 10 years

Business systems software is capitalised as a tangible fixed asset as the software is considered to be an integral part of management's intended use for the related hardware.

ix) Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price.

Non-current debt instruments, which meet the conditions set out in paragraph 11.9 of FRS 102, are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate and are classified as payable or receivable within one year and which meet the above conditions are initially measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Investments

Equity loans and unquoted investments are stated at cost less impairment.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs. Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as an appropriation of profits.

x) Joint ventures and associates

A joint venture is a jointly controlled entity in which the Group holds a long-term interest with one or more other parties where a contractual arrangement has established joint control over the entity. An associate is an undertaking in which the Group has a long-term interest, usually from 20 per cent to 50 per cent of the equity voting rights and over which it exercises significant influence.

In the Group accounts, investments in joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are initially recognised at the transaction price (including transaction costs), including advances, and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture or associate. Goodwill arising on the acquisition of joint ventures or associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in joint ventures or associates.

Where the Group trades with a joint venture or associate, the proportion of turnover and costs in respect of the proportion of the joint venture or associate owned by the Group is deferred on consolidation. Such turnover and costs are recognised when the assets purchased by the joint venture are sold by it. The deferred balance is deducted from the value of the investment in the joint venture or associate.

In the company's accounts, investments, including those in joint ventures and associates, are accounted for at cost less impairment.

xi) Stocks

Stocks are stated at the lower of cost, including attributable overheads, and estimated selling price less costs to sell, which is equivalent to net realisable value.

Stocks include freehold land and option and promotion agreements. Freehold land is recorded at cost. Options are initially recorded at cost, which includes consideration and any premiums paid for control as well as all relevant third-party expenditure pursuing planning. Work in progress on promotion agreements comprises direct fees and all relevant third party expenditure external labour costs incurred in investigating, designing, master planning, obtaining planning permission and ultimately securing sales agreements for land on behalf of landowners. The carrying value of all stock and work in progress is also subject to an annual impairment review to ensure the carrying cost remains at or below net realisable value, which is estimated future selling price less costs to sell. The satisfaction of promotion agreements is largely dependent upon the grant of planning consent; therefore, management assess the likelihood of attaining these consents when assessing their carrying values.

xii) Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account immediately.

Non financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part.

Where indicators exist for a decrease in impairment loss on assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment is reversed to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the estimated value of the future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

xiii) Contracts

The principal estimation technique used by the Group in attributing profit on contracts to a particular accounting period is the preparation of forecasts on a contract-by-contract basis. These focus on costs to completion and enable an assessment to be made of the final outturn on each contract. Consistent contract review procedures are in place in respect of contract forecasting.

Profit on contracts are considered on a profit by contract basis and only recognised when the Group is satisfied that the risks on a contract have been mitigated to a suitable level so that the forecast profit can be measured reliably. As a number of risks are not mitigated until a contract has been successfully delivered, final accounts are agreed and retentions are settled, an element of profit is not recognised on contracts until the contract is nearing completion. Provision is made for all losses incurred to the accounting date together with any further losses that are foreseen in bringing contracts to completion.

As certain agreements can run over a considerable number of years and cover a number of individual separable projects, the agreement is treated as a number of individual projects. Each individual project then follows the Group accounting policies for the type of activity being delivered.

Variations and claims are recognised once there is sufficient certainty over the probability that they will be received and the amount to be received can be measured reliably.

xiii) Contracts (continued)

Amounts recoverable on contracts which are included in debtors are stated at cost, plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments. Costs for this purpose include valuation of all work done by subcontractors, whether certified or not, and all overheads other than those relating to the general administration of the relevant companies. For any contracts where receipts exceed the book value of work done, the excess is included in creditors as payments on account.

xiv) Residential developments

For residential development, profits are recognised on a site-by-site basis by reference to the expected final result for each site. The site margin is calculated by comparing forecast final sales to forecast total costs. Profit is recognised for each development site by applying the margin to actual property sales to date.

xv) Interest receivable and payable

Interest receivable comprises interest on cash balances held in bank accounts and invested in liquidity funds, on loans to joint ventures, on loans to shareholders, from the unwinding of the discount from nominal to present day value of trade receivables on extended terms and interest on retirement benefit obligations. Interest payable comprises interest payable on bank loans and interest on retirement benefit obligations. Interest receivable and payable are recognised in the profit and loss account as they accrue.

xvi) Tax

Current tax is provided at the amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Where the amount attributed for tax purposes to assets (other than goodwill) and liabilities that are acquired in a business combination differs from their fair value, deferred tax is recognised to reflect the future tax consequences, with a corresponding adjustment to goodwill.

Deferred tax is measured using the tax rates and laws that have been announced, enacted or substantively enacted by the balance sheet date. The tax expense or income is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense.

Current and deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends to settle on a net basis.

Research and development credits receivable are included in operating profit and are taxed within current tax. Current tax is then paid net of research and development credits receivable.

xvii) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

xviii) Retirement benefits

The Group operates a defined benefit pension scheme providing benefits based on pensionable pay, which is closed to future accrual and new entrants with only 3 active members continuing to be calculated on a CARE (Career Average Revalued Earnings) basis.

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to profit and loss and included within net interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

The assets of the defined benefit scheme are held separately from those of the Group in trustee administered funds. Scheme assets are measured at fair value and liabilities are measured on an actuarial basis using a projected unit method. Actuarial valuations are obtained triennially from an independent qualified actuary and are updated at each year end.

In the ordinary course of business, the Group sometimes transfers employees (TUPE) and takes on obligations relating to local government pension schemes. Sufficient information is not available for the Group to use defined benefit accounting for these schemes so the Group accounts for them as defined contribution plans.

The Group also operates defined contribution schemes. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

xix) Provisions and recoveries

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated. Provisions are presented at the present value of the best estimate of the consideration required to settle the obligation present at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When the Group expects some or all of a provision in respect of a completed contract to be reimbursed, for example, under an insurance contract or a contractual right to recourse from supply chain partners, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain. A completed contract is deemed to be one where practical completion has taken place, the defect liability period has expired, all notified defects are signed off and any outstanding retentions have been received.

The expense relating to a provision is presented net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

xx) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets are translated at the rates of exchange at the balance sheet date. Exchange differences arising on the translation of opening net assets and on the results of overseas operations are reported in other comprehensive income and accumulated in equity.

Other exchange differences are recognised in the profit and loss account in the period in which they arise.

xxi) Dividends

Interim dividends to the company's shareholders are recognised when paid and final dividends when approved for payment.

xxii) Significant areas of judgement and uncertainty

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that affect items reported. Such estimates and assumptions are based on management's best knowledge of current facts, circumstances and future events. Actual results may differ, possibly significantly, from those estimates.

Critical judgements

The Group considers that there are no critical judgments (apart from those involving estimates) that will have a significant effect on amounts recognised in the financial statements.

Estimates

The estimates and associated assumptions used in the preparation of the financial statements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

The most critical accounting policies and significant areas of estimation arise from the accounting for contracts, assessments of the carrying value of residential land and development assets, the valuation of investment property, the recognition of provisions, contingencies and reimbursement assets and the assumptions used in the accounting for the defined benefit pension scheme.

a) Accounting for contracts

Contract accounting requires estimates to be made for contract costs and income. In many cases, these contractual obligations span more than one financial period. Also the costs and income may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved.

Management bases its estimation of costs and income and its assessment of the expected outcome of each contractual obligation on the latest available information, which includes detailed contract valuations and forecasts of the costs to complete. The estimates of the contract position, reflecting both the forecasted costs and the reliable estimate of the forecasted revenue on each contract, and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal reporting and review procedures. The impact of any change in the accounting estimates is then reflected in the financial statements.

xxii) Significant areas of judgement and uncertainty (continued)

b) Carrying value of residential land and development assets – see note 12

The carrying value of the residential land and development assets of the Group and its joint ventures is supported by detailed viability reviews, which are updated regularly.

c) Valuation of investment property – see note 10

The annual valuation of investment properties is carried out by an independent chartered surveyor (at least once every three years) or by a director of a subsidiary of the Group, who is a chartered surveyor, to the required standard for such valuations. The managed workspace centres were valued on an income approach taking into consideration an average net operating profit capitalised at a market driven yield which ranged from 7.35% - 10.75% (2021: 5.56% - 10.50%), less normal purchasers' acquisition costs. Assumptions on which the valuations have been based include, but are not limited to, matters such as tenure and tenancy details, ground conditions and the structural condition of the properties, prevailing market yields and comparable market transactions. The valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental income from that property.

d) Provisions and recoveries – see notes 17 and 26

In the event of the Group making a loss on a contract, provision is made for all losses that are foreseen in bringing the contract to completion.

Provisions are estimates and the actual cost and timing of future cash flows are dependent on future events. The Group exercises judgement in recognising provisions and the exposure to contingencies. Judgement is necessary to assess the likelihood that a liability will arise and to quantify the possible amount of any out flow of resources. The inherent uncertainty of such matters means that actual amounts of transactions may differ materially from estimates made. Any difference between the amounts previously recognised and the actual amount is recognised immediately in the consolidated profit and loss account.

In considering whether recovery of costs from third parties, particularly insurers, are virtually certain and therefore recognisable as a separate reimbursement asset, it is necessary to assess contractual arrangements, insurance policies, formal correspondence with relevant parties, expert opinion and legal advice as to liability. In general, insurance recoveries are deemed to be virtually certain when a favourable Legal Liability Report has been received from Legal Counsel.

e) Defined benefit pension schemes – see note 24

Defined benefit pension schemes require significant judgements in relation to the assumptions for inflation, future pension increases, investment returns and member longevity that underpin the valuation. In addition, as the valuation of illiquid assets is based on a date in advance of year end, it is reviewed at year end for likely possible movements over the intervening period. Each year in selecting the appropriate assumptions, the directors take advice from an independent qualified actuary and the relevant assumptions are set out in the note to the accounts.

2. GROUP STATUTORY TURNOVER

ANALYSIS OF STATUTORY TURNOVER BY CLASS OF BUSINESS	2022 £000s	2021 £000s
Construction	**958,164**	771,926
Property Services	**497,506**	472,868
Residential	**287,950**	249,272
Developments	**39,713**	24,998
Other	**3,564**	3,187
	1,786,897	1,522,251

ANALYSIS OF STATUTORY TURNOVER BY TYPE	2022 £000s	2021 £000s
Contracts	**1,522,424**	1,269,063
Rendering of services	**157,772**	172,706
Sale of land and residential properties	**103,137**	77,295
Rental/licence fee income	**3,564**	3,187
	1,786,897	1,522,251

Group statutory turnover is materially within the United Kingdom.

3. OTHER OPERATING INCOME

	2022 £000s	2021 £000s
Compensation income	**94**	894

4. GROUP OPERATING PROFIT

	2022 £000s	2021 £000s
This is stated after charging/(crediting):		
Amortisation of goodwill	**3,477**	3,477
Auditors' remuneration*		
- audit of these accounts	**79**	40
- audit of subsidiaries' accounts	**818**	406
- non-audit services	**-**	3
Cost of stock recognised as an expense	**68,983**	57,180
Depreciation of tangible fixed assets (including loss on disposal of £162,000 (2021: £51,000))	**7,325**	7,639
Foreign exchange (gain)/loss	**(527)**	2
Hire of plant and machinery	**5,434**	3,556
Operating lease rentals	**8,573**	8,782
Charitable donations	**1,561**	841
Research and development credits	**(2,835)**	(1,408)
Research and development costs	**14,678**	9,335

* excludes fee payments made through joint ventures

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	2022 NUMBER	2021 NUMBER
Operations	**2,587**	2,443
Administration	**1,434**	1,367
	4,021	3,810

The aggregate payroll costs for the Group were as follows:

	2022 £000s	2021 £000s
Wages and salaries	**255,595**	227,999
Social security costs	**30,817**	25,944
Other pension costs	**21,582**	19,684
	307,994	273,627

The pension operating cost for the year was £128,000 (2021: £1,683,000) in respect of defined benefit arrangements and £21,454,000 (2021: £18,001,000) in respect of defined contribution arrangements. Further information on retirement benefits are include in note 1 (xviii).

There are no employees of the company.

6. REMUNERATION OF DIRECTORS

		2022 £000s	2021 £000s
Directors' emoluments	– executive and family directors	**2,837**	2,747
	– non-executive directors	**211**	204
Amounts receivable under long-term incentive scheme		**1,323**	2,294
Contributions to money purchase pension schemes		**17**	8
Compensation for loss of office		**992**	-
		5,380	5,253

Five (2021: three) directors have benefits accruing under a money purchase pension scheme.

		2022 £000s	2021 £000s
Highest paid director	– emoluments	**491**	614
	– amounts receivable under long-term incentive scheme	**-**	967
	– compensation for loss of office	**992**	-

7. NET INTEREST RECEIVABLE

	2022 £000s	2021 £000s
Interest receivable		
Bank	**485**	36
Other interest	**5,015**	4,094
Net interest on defined benefit liability	**45**	-
Interest receivable	**5,545**	4,130
Interest payable and similar charges		
Bank interest	**796**	1,079
Bank charges	**1,526**	1,192
Other interest	**4**	41
Net interest on defined benefit liability	**-**	228
Interest payable and similar charges	**2,326**	2,540

Other interest receivable includes amounts from Joint ventures of £4,698,000 (2021: £3,707,000) which is also included within interest payable by joint ventures disclosed on the face of the Consolidated profit and loss account.

8. TAX ON PROFIT

a) Analysis of the charge in the year

	2022 £000s	2021 (RESTATED) £000s
Current tax		
UK corporation tax on the profit for the year	**2,471**	2,737
Adjustments in respect of prior years	**401**	(464)
Total current tax	**2,872**	2,273
Deferred tax		
Origination and reversal of timing differences	**3,344**	2,665
Impact of change in tax rate	**-**	(653)
Adjustments in respect of prior years	**(300)**	1,605
Total deferred tax	**3,044**	3,617
Total tax on profit	**5,916**	5,890

The Finance Act 2022 received Royal assent on 24 February 2022 introducing a new residential property developer tax ('RPDT') which is effective from 1 April 2022 and is chargeable at 4% on profits generated from residential property development activities in excess of an annual threshold. The current tax charge includes £225,000 in respect of RDPT.

During the year beginning 1 January 2023, the net reversal of deferred tax assets is not expected to increase the corporation tax charge for the year significantly as the net reversal will be offset by lower current tax in respect of timing differences. There is no expiry date on timing differences.

8. TAX ON PROFIT (continued)

b) Factors affecting the total tax charge for the year

The total tax charge for the year is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000s	2021 (RESTATED) £000s
Profit before tax	**31,534**	31,151
Less share of profit after tax of joint ventures and associates taxed as separate entities	**(7,449)**	(5,470)
Group profit before tax	**24,085**	25,681
Group profit at the standard rate of corporation tax in the UK of 19% (2021: 19%)	**4,576**	4,879
Effects of:		
Permanent disallowable costs	**933**	719
Change in tax rates/timing differences	**81**	(849)
Residential property developer tax	**225**	-
Adjustments in respect of prior years	**101**	1,141
Group total tax charge for the year	**5,916**	5,890

9. INTANGIBLE ASSETS – GOODWILL

GROUP	£000s
Cost at 1 January 2022 and 31 December 2022	**72,098**
Amortisation:	30,516
At 1 January 2022	3,477
Provided during the year	
At 31 December 2022	**33,993**
Net book value:	
At 31 December 2022	**38,105**
At 31 December 2021	41,582

The net book value of goodwill at 31 December 2022 includes amounts and remaining amortisation periods in relation to the following acquisitions:

ACQUISITION	REMAINING AMORTISATION PERIOD	NET BOOK VALUE OF GOODWILL
Wates Property Services Limited	8.4 years	£11,409,000
Purchase Group	11.9 years	£4,953,000
Parts of the Shepherd Group	12.8 years	£21,743,000

10. TANGIBLE FIXED ASSETS

	LAND AND BUILDINGS				
GROUP	INVESTMENT PROPERTIES - FREEHOLD £000s	LEASEHOLD IMPROVEMENTS £000s	PLANT AND EQUIPMENT £000s	BUSINESS SYSTEMS SOFTWARE £000s	GROUP TOTAL £000s
Valuation or cost:					
At 1 January 2022	49,470	11,333	18,907	31,665	111,375
Additions	68	283	4,893	2,200	7,444
Revaluations	(4,399)	-	-	-	(4,399)
Transfers	-	-	-	(69)	(69)
Disposals	-	-	(1,114)	(339)	(1,453)
At 31 December 2022	**45,139**	**11,616**	**22,686**	**33,457**	**112,898**
Depreciation:					
At 1 January 2022	-	6,689	16,188	18,981	41,858
Provided during the year	-	1,377	1,600	4,186	7,163
Disposals	-	-	(1,047)	(216)	(1,263)
At 31 December 2022	**-**	**8,066**	**16,741**	**22,951**	**47,758**
Net book amounts:					
At 31 December 2022	**45,139**	**3,550**	**5,945**	**10,506**	**65,140**
At 31 December 2021	49,470	4,644	2,719	12,684	69,517

Investment properties, which are all freehold, were revalued at 31 December 2022 to a fair value of £45,139,000, based on a valuation undertaken by a director of a subsidiary of the Group, who is a chartered surveyor. The method of determining fair value and assumptions on which valuations are based are set out in note 1(xxii). The cost of investment properties at 31 December 2022 was £43,889,000 (2021: £43,821,000). Other tangible fixed assets are stated at cost less depreciation.

At the balance sheet date the Group had committed to incur capital expenditure of £4,000 (2021: £nil).

At the balance sheet date the Group had contracted with licence and lease holders regarding provision of flexible office space, studios and managed workspace for minimum payments due within one year of £992,000 (2021: £901,000) and due over one year up to 5 years of £1,209,000 (2021: £1,856,000). Contracts include licence agreements. They are generally issued on a 3 month minimum term basis, rolling monthly thereafter.

Business systems software as at 31 December 2022 included assets in the course of construction of £1,544,000 (2021: £1,087,000).

11. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS

GROUP	JOINT VENTURES £000s	ASSOCIATES £000s	TOTAL JOINT VENTURES AND ASSOCIATES £000s	UNQUOTED INVESTMENTS £000s	EQUITY LOANS £000s	TOTAL OTHER INVESTMENTS £000s
At 1 January 2022	104,708	281	104,989	-	292	292
Additions	21,638	-	21,638	-	-	-
Repayments	(23,253)	-	(23,253)	(256)	(37)	(293)
Deferred income	450	-	450	-	-	-
Profit	-	-	-	-	11	11
Reversal of impairment	-	-	-	256	-	256
Share of profit	7,268	10	7,278	-	-	-
At 31 December 2022	**110,811**	**291**	**111,102**	**-**	**266**	**266**

The investment in joint ventures includes loans amounting to £77,260,000 (2021: £74,022,000).
Repayments include dividends received from joint ventures and associates of £2,514,000 (2021: £8,062,000).

Joint ventures

The Group holds the following interests in the ordinary share capital of the following companies:

	INTEREST	REGISTERED OFFICE
Annington Wates (Cove) Limited #	50.0%	3rd Floor One London Square, Cross Lanes, Guildford GU1 1UN
Barratt Wates (East Grinstead) Limited *	50.0%	Barratt House, Cartwright Way, Forest Business Park, Bardon Hill, Coalville, Leicestershire LE67 1UF
Barratt Wates (East Grinstead) No. 2 Limited	50.0%	
Barratt Wates (Horley) Limited *	21.5%	
Barratt Wates (Lindfield) Limited *	50.0%	
Barratt Wates (Worthing) Limited *	50.0%	
DWH/Wates (Thame) Limited *	50.0%	
Berkshire Land Limited	33.3%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden (Basingstoke) Limited	50.0%	
Linden Wates (Barrow Gurney) Limited	50.0%	
Linden Wates (Bricket Wood) Limited	50.0%	
Linden Wates (Cranleigh) Limited *	50.0%	
Linden Wates Developments (Chichester) Limited *	50.0%	
Linden Wates Developments (Folders Meadow) Limited *	50.0%	
Linden Wates (Dorking) Limited *	50.0%	
Linden Wates (Kempshott) Limited *	50.0%	
Linden Wates (Lovedean) Limited *	50.0%	
Linden Wates (Ravenscourt Park) Limited *	50.0%	
Linden Wates (Ridgewood) Limited *	50.0%	
Linden Wates (The Frythe) Limited *	50.0%	
Linden Wates (Westbury) Limited	50.0%	
Linden Wates (West Hampstead) Limited *	50.0%	
Vistry Wates Nominee Limited	50.0%	
HSDP Nominee Ltd	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
HWR Nominee Ltd	50.0%	
Miller Wates (Bracklesham) Limited *	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF
Miller Wates (Chalgrove) Limited *	50.0%	
Miller Wates (Didcot) Limited *	50.0%	
Miller Wates (Southwater) Limited *	50.0%	
Miller Wates (Wallingford) Limited *	50.0%	

Entity dissolved on 12 January 2023

* Owned directly by Wates Group Limited

11. JOINT VENTURES AND ASSOCIATES AND OTHER INVESTMENTS (continued)

The Group holds the following interests in limited liability partnerships:

	INTEREST	REGISTERED OFFICE
Harrow Strategic Development Partnership LLP	50.0%	Wates House, Station Approach, Leatherhead, Surrey KT22 7SW
Havering and Wates Regeneration LLP	50.0%	
HSDP Byron Quarter LLP	50.0%	
HWR Phase 1 Stage 1 LLP	50.0%	
HWR Phase 1 Stage 2 LLP	50.0%	
HWR Phase 1 Demo Stages 3-10 LLP	50.0%	
Signature Wates Residential LLP	50.0%	
Laurus Living Space LLP	50.0%	Sale Point, 126-150 Washway Road, Sale, Manchester M33 6AG
Linden (Battersea Bridge Road) LLP *	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY
Linden Wates (Horsham) LLP *	50.0%	
Linden Wates (Ringwood) LLP *	50.0%	
Linden Wates (Royston) LLP	50.0%	
Linden Wates (Salisbury) LLP *	50.0%	
Linden Wates (Walberton) LLP	50.0%	
Vistry Wates (Buckingham) LLP	50.0%	
Vistry Wates Finance LLP	50.0%	
Vistry Wates Holdings LLP *	50.0%	
Vistry Wates (Leybourne) LLP	50.0%	
Vistry Wates (Walshes) LLP	50.0%	
Miller Wates (Oakley) LLP	50.0%	2 Centro Place, Pride Park, Derby, Derbyshire DE24 8RF

* Owned directly by Wates Group Limited

Associates

The Group holds the following interests in the ordinary share capital of the following companies:

	INTEREST	REGISTERED OFFICE
Countrywise Repairs Limited	49.0%	Monson House, Monson Way, Tunbridge Wells, Kent TN1 1LQ
QSH Propco Limited	15.0%	1934 the Yard, Exploration Drive, Leicester LE4 5JD
Quality Social Housing Management Limited	15.0%	

The Group holds the following interest in a limited liability partnership:

	INTEREST	REGISTERED OFFICE
QSH Property LLP	7.5%	2 Merus Court, Meridian Business Park, Leicester LE19 1RJ

Unquoted investments

The Group sold its interest in unquoted investments during the year.

Equity loans

These comprise amounts advanced to homebuyers to assist in their purchase of the Group's residential properties under equity share schemes. The loans, with a cost of £349,000 (2021: £375,000), are repayable, together with a share in the capital appreciation, when the underlying property is sold. Included in the total are loans with a cost of £41,000 (2021: £67,000), which were repayable if the properties were not sold by 2021. These outstanding loans are secured by a charge over the property so are therefore considered recoverable. Loans with a cost of £128,000 (2021: £154,000) are interest free and loans with a cost of £221,000 (2021: £221,000) were interest free until 2016 when a fee of 1.75% became receivable, rising annually by the Retail Price Index plus one percent.

Company

	SHARES IN GROUP UNDERTAKINGS £000s	INTERESTS IN JOINT VENTURES £000s	UNQUOTED INVESTMENTS £000s	TOTAL £000s
At 1 January 2022	56,538	67,609	-	124,147
Repayments	-	(20,740)	(256)	(20,996)
Reversal of impairment	-	-	256	256
At 31 December 2022	**56,538**	**46,869**	**-**	**103,407**

The cost of shares in Group undertakings is £71,762,000 (2021: £71,762,000). The value of shares in Group undertakings of £56,538,000 (2021: £56,538,000) is net of cumulative impairments of £15,224,000 (2021: £15,224,000). The investment in joint ventures includes loans amounting to £46,859,000 (2021: £67,598,000). Repayments include dividends received from joint ventures of £2,500,000 (2021: £8,000,000). Dividends received are credited to the Profit and loss account on receipt. The company sold its interest in unquoted investments during the year.

For the year ending 31 December 2022, the following subsidiaries of the company were entitled to exemption from audit of individual company accounts under Section 479A of the Companies Act 2006:

Wates (Crowborough) Limited (Company number 13163327)

Wates Group Services Limited (Company number 00340931)

Wates Limited (Company number 03599183)

Wates Pension Trustee Company Limited (Company number 01041336)

Wates (WR) Limited (Company number 11735213)

A list of the Group's subsidiary undertakings is set out on page 170.

12. STOCKS

GROUP	2022 £000s	2021 £000s
Raw materials and consumables	**60**	130
Residential land and work in progress under development	**54,076**	74,956
	54,136	75,086

Residential land and work in progress under development includes costs associated with performance obligations arising from option and promotion agreements in respect of land of £17,347,000 (2021: £16,601,000).

13. DEBTORS

	GROUP 2022 £000s	GROUP 2021 (RESTATED) £000s	COMPANY 2022 £000s	COMPANY 2021 £000s
Amounts falling due within one year				
Trade debtors	**155,668**	65,712	**-**	-
Amounts recoverable on contracts	**196,745**	160,801	**-**	-
Insurance reimbursement asset	**11,462**	15,859	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**117,028**	92,301
Amounts owed by joint ventures and associates	**255**	8,264	**23**	1,282
Deferred tax (note 18)	**1,647**	1,887	**-**	-
Corporation tax receivable	**7,134**	6,787	**-**	100
Other debtors	**3,615**	6,427	**-**	-
Prepayments and accrued income	**16,068**	14,598	**469**	370
	392,594	280,335	**117,520**	94,053
Amounts falling due after more than one year				
Trade debtors	**13,705**	1,650	**-**	-
Amounts recoverable on contracts	**23,975**	16,325	**-**	-
Insurance reimbursement asset	**17,272**	12,776	**-**	-
Deferred tax (note 18)	**5,674**	4,469	**-**	-
Corporation tax receivable	**406**	406	**406**	406
Other debtors	**1,400**	1,379	**1,250**	1,250
Prepayments and accrued income	**488**	58	**488**	58
	62,920	37,063	**2,144**	1,714
	455,514	317,398	**119,664**	95,767

14. CASH AT BANK AND CASH IN HAND

GROUP	2022 £000s	2021 £000s
Restricted cash	**-**	24,789
Cash at bank	**206,917**	203,930
	206,917	228,719

Restricted cash represented money held in a proceeds account from property sales for a development site. The balance held in the account was distributed in full during 2022. The balance at 31 December 2021 included £18,531,000 due to the site partner which was also included in accruals (note 15).

The net cash position (being cash and cash equivalents excluding cash held in joint ventures and restricted cash, net of bank loans excluding arrangement fees and overdrafts) at year end is £152,884,000 (2021: £158,930,000).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2022 £000s	GROUP 2021 (RESTATED) £000s	COMPANY 2022 £000s	COMPANY 2021 £000s
Bank loans	**-**	10,951	**-**	10,951
Bank overdrafts	**54,033**	-	**-**	-
Advance payments on account of contracts	**128,259**	96,455	**-**	-
Trade creditors	**79,847**	66,813	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**141,501**	134,015
Amounts owed to joint ventures	**25,056**	21,994	**25,056**	21,994
Corporation tax payable	**-**	-	**82**	-
Other taxes and social security	**49,739**	41,019	**2**	179
Other creditors	**2,209**	2,620	**-**	-
Accruals	**325,844**	316,385	**939**	889
Deferred income	**3,050**	2,972	**-**	-
	668,037	559,209	**167,580**	168,028

The Group has in place a Revolving Credit Facility of £90m, which expires in March 2025 with the potential for a one year extension. The facility was undrawn at 31 December 2022 (2021: £nil). The Group also had a Coronavirus Large Business Interruption Loan Scheme facility of £50m at 31 December 2021, of which £45m was drawn, which was repaid early and in full in June 2022. Bank loans at 31 December 2021 were disclosed net of unamortised arrangement fees of £49,000.

The Revolving Credit Facility is secured against the majority of the Group's subsidiaries and their assets. The Group has remained compliant with the covenants throughout the period up to the date of this report. Interest rates on the Group's banking facilities (bank loans) as at the end of the year were less than 6%.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

The bank overdraft in 2022 reflects an overdraft in a single bank account within Wates Construction Limited. This bank account forms part of the Group's only net overdraft facility arrangement. The aggregate amount held within the accounts covered by this facility were in a positive cash position at the balance sheet date. The overdraft presented has arisen because the Group placed funds on short term money market deposit which settled the above overdraft immediately following the year end. The overdraft is shown as a current liability to reflect the fact that the settlement of this overdraft was made through the transfer from the money market deposit rather than a net settlement within the cash pooling accounts.

Accruals at 31 December 2021 included £18,531,000 due to the site partner in respect of funds held in the restricted cash account (note 14).

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP 2022 £000s	GROUP 2021 £000s	COMPANY 2022 £000s	COMPANY 2021 £000s
Bank loans	**-**	33,960	**-**	33,960
Accruals	**19,574**	16,613	**-**	-
Deferred income	**1,029**	1,379	**-**	-
	20,603	51,952	**-**	33,960

The Group also had a Coronavirus Large Business Interruption Loan Scheme facility of £50m at 31 December 2021, of which £45m was drawn, which was repaid early and in full in June 2022. Bank loans at 31 December 2021 were disclosed net of unamortised arrangement fees of £40,000. The maturity of bank loans was as follows:

GROUP AND COMPANY	2022 £000s	2021 £000s
Within one year	**-**	11,000
Between one and two years	**-**	34,000
	-	45,000

The amounts due at 31 December 2021 were disclosed before the deduction of unamortised arrangement fees of £89,000.

17. PROVISIONS AND RECOVERIES

GROUP	2022 £000s	2021 (RESTATED) £000s
At 1 January	**56,535**	49,016
Utilised during the year	**(10,103)**	(14,114)
Charged to profit and loss account	**27,628**	24,873
Credited to profit and loss account	**(1,637)**	(3,240)
At 31 December	**72,423**	56,535
Provision for net defined benefit pension scheme deficit (note 24)	**7,824**	3,134
Total	**80,247**	59,669

Provisions, other than the provision for the net defined benefit pension scheme deficit, arise predominantly in respect of remediation works on construction projects.

In making the provisions, directors have established that a contractual or constructive obligation exists at the balance sheet date and compiled an estimate of costs to complete the associated works. While the amount of the provision recorded has been reliably estimated, until all costs are final, the directors consider the estimated future cash outflow of £72,423,000 to be appropriate.

Some of these obligations are likely to crystallise more than one year but within four years after the balance sheet date.

The Group holds insurance policies or has sought recoveries from supply chain partner insurers to mitigate these liabilities. These are recognised as separate assets when the reimbursement is virtually certain. The directors consider the probable cash inflow to range from £28,734,000 to £38,629,000 while the amount recognised as virtually certain at the balance sheet date is £28,734,000 (see note 13).

18. DEFERRED TAX

GROUP	£000s
At 1 January 2022	**6,356**
Charged to profit and loss account	**(3,044)**
Credited to other comprehensive income	**4,009**
At 31 December 2022	**7,321**

Deferred tax is provided as follows:

	2022 £000s	2021 £000s
Accumulated depreciation in excess of capital allowances	**(636)**	58
Deferred tax arising in relation to retirement benefit obligations	**1,956**	785
Other timing differences including tax losses	**6,001**	5,513
	7,321	6,356

	2022 £000s	2021 £000s
Deferred tax asset under one year	**1,647**	1,887
Deferred tax asset over one year	**5,674**	4,469
	7,321	6,356

19. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities, other than those measured at the undiscounted amount receivable or payable, are summarised by category below:

GROUP	2022 £000s	2021 £000s
Financial assets		
Debt instruments measured at amortised cost		
• Loans receivable from joint ventures (notes 11 and 13)	**77,283**	74,265
Equity instruments measured at cost less impairment		
• Equity loans (note 11)	**266**	292
Financial liabilities		
Measured at amortised cost		
• Loans payable (notes 15 and 16)	**-**	44,911
Interest income and expense		
Total interest income for financial assets at amortised cost	**4,698**	3,707
Total interest expense for financial liabilities at amortised cost	**2,322**	2,271

20. CALLED UP SHARE CAPITAL AND RESERVES

	NUMBER	2022 £000s	NUMBER	2021 £000s
Issued and fully paid:				
A ordinary shares of £1 each	**323,854**	**324**	323,854	324
B ordinary shares of £1 each	**323,854**	**324**	323,854	324
C ordinary shares of £1 each	**323,854**	**324**	323,854	324
A second ordinary shares of £0.0277 each	**60**	**-**	60	-
B second ordinary shares of £0.0277 each	**60**	**-**	60	-
C second ordinary shares of £0.0277 each	**60**	**-**	60	-
Non-voting second preference shares of £1 each	**5,000,000**	**5,000**	5,000,000	5,000
Non-voting A preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Non-voting B preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Non-voting C preference shares of £1 each	**2,914,677**	**2,914**	2,914,677	2,914
Index linked non-voting A shares of £1 each	**20,750**	**21**	20,750	21
Index linked non-voting B shares of £1 each	**20,750**	**21**	20,750	21
Index linked non-voting C shares of £1 each	**20,750**	**21**	20,750	21
	14,778,023	**14,777**	14,778,023	14,777

Ordinary and second ordinary shares, which carry the rights to receive notice, attend and vote at general meetings of the company, are entitled to dividends declared after the payment of index linked share dividends, preference and second preference share dividends.

Dividends on all shares are declared at the discretion of the directors. The priority of dividends other than ordinary dividends is as follows:

1. Firstly, index linked shareholders ('index shareholders') are entitled to annual non-cumulative preferential dividends being the greater of the preceding such dividend and an amount of £4.82 per share indexed using the Retail Price Index since September 2007;
2. Secondly, preference shareholders are entitled to biannual fixed non-cumulative dividends, the first at the rate of 17 per cent per annum and the second at a rate of 17 per cent per annum subject to minimum profit levels on the amount paid up and in issue regarding these shares;
3. Thirdly, second preference shareholders are entitled to fixed non-cumulative dividends at the rate of 7.5 per cent per annum on the amount paid up and in issue regarding these shares.

On a return of capital on a winding-up of the company, assets available for distribution shall be applied firstly to repaying the index shareholders, secondly to repaying the preference shareholders, thirdly to repaying the second preference shareholders, fourthly to repaying the second ordinary shareholders and fifthly to repaying the ordinary shareholders.

The A, B and C preference, ordinary and second ordinary shares are treated as separate classes of shares regarding further issues and transfers and, in the case of ordinary and second ordinary shares only, proceedings at general meetings.

The Group and company's reserves are as follows:

- The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.
- The capital redemption reserve contains the amounts transferred following repurchase and redemption of the company's shares.

The profit and loss account reserve represents cumulative profits and losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

The following dividends were paid by the Group and company:

	2022 £000s	2021 £000s
Ordinary shares	**13,668**	1,261
Second ordinary shares	**2**	-
Preference shares	**2,973**	1,486
Second preference shares	**375**	188
Index linked shares	**501**	445
	17,519	3,380

As noted above, all classes of shares, except the second preference shares, are divided into A, B and C sub-classes with any dividends equally divided between them.

21. RECONCILIATION OF GROUP OPERATING PROFIT TO CASH GENERATED BY OPERATIONS

	2022 £000s	2021 (RESTATED) £000s
Group operating profit including joint ventures and associates	**28,315**	29,561
Adjustments for:		
Decrease in fair value of investment property	**4,399**	1,596
Profit on sale of properties with equity loans	**(11)**	(29)
Depreciation and amortisation	**10,802**	11,116
Joint ventures and associates	**(7,278)**	(7,662)
Reversal of impairment of other investments	**(256)**	-
Decrease/(increase) in stocks	**20,950**	(34,474)
Increase in debtors	**(139,682)**	(47,906)
Increase in creditors	**64,852**	50,420
Increase in provisions	**15,888**	7,519
Cash (used in)/generated from operations before adjustment for pensions funding	**(2,021)**	10,141
Adjustment for pensions funding	**(11,301)**	(8,085)
Cash (used in)/generated from operations	**(13,322)**	2,056
Interest received	**5,241**	3,801
Interest paid	**(2,049)**	(1,137)
Corporation tax paid	**(359)**	(2,942)
Net cash (outflow)/inflow from operating activities	**(10,489)**	1,778

22. GROUP NET CASH RECONCILIATION

	1 JANUARY 2022 £000s	CASH FLOWS £000s	31 DECEMBER 2022 £000s
Cash at bank	203,930	2,987	**206,917**
Restricted cash	24,789	(24,789)	**-**
Cash and cash equivalents	228,719	(21,802)	**206,917**
Bank loans (excluding arrangement fees *)	(45,000)	45,000	**-**
Bank overdrafts	-	(54,033)	**(54,033)**
Net cash including restricted cash	183,719	(30,835)	**152,884**
Net cash excluding restricted cash	158,930	(6,046)	**152,884**

* Bank loans are disclosed before the deduction of unamortised arrangement fees of £nil (2021: £89,000).

23. OPERATING LEASE COMMITMENTS

	2022 £000s	2021 £000s
Group total future minimum lease payments under non-cancellable operating leases are as follows:		
Within one year	**6,668**	7,120
Between one and five years	**12,111**	13,202
After five years	**13**	898
	18,792	21,220

24. PENSION SCHEMES

The Group historically operated a defined benefit pension scheme, the Wates Pension Fund ('the scheme'), which is now closed to future accrual and new entrants. The Group also operates personal pension schemes providing benefits on a defined contribution basis. A subsidiary of the Group participates in a defined benefit scheme accounted for on a defined contribution basis (see note 1(xviii)).

The funds of the scheme are administered by trustees and are separate from the funds of the Group.

The latest full actuarial valuation of the scheme was carried out at 1 January 2021 and was updated to 31 December 2022 by a qualified independent actuary.

PRINCIPAL ACTUARIAL ASSUMPTIONS AT THE BALANCE SHEET DATE (EXPRESSED AS WEIGHTED AVERAGES)	2022	2021
Discount rate	**4.80%**	1.95%
Rate of compensation increase	**4.20%**	4.20%
Rate of price inflation	**3.20%**	3.20%
Rate of pension increase	**2.50%**	2.50%

WEIGHTED AVERAGE LIFE EXPECTANCY FOR MORTALITY TABLES USED TO DETERMINE BENEFIT OBLIGATIONS AT YEAR END	2022 YEARS	2021 YEARS
Male member age 65 (current life expectancy)	**22.2**	22.5
Female member age 65 (current life expectancy)	**24.7**	24.9
Male member age 45 (life expectancy at age 65)	**23.4**	23.9
Female member age 45 (life expectancy at age 65)	**26.1**	26.3

COMPONENTS OF PENSION (CREDIT)/COST	2022 £000s	2021 £000s
Recognised in the profit and loss account:		
Current service (credit)/cost	**(322)**	427
Net interest (credit)/cost	**(45)**	228
	(367)	655
Recognised in other comprehensive expense/(income)	**16,036**	(10,820)
Total cost/(credit) relating to defined benefit scheme	**15,669**	(10,165)

24. PENSION SCHEMES (continued)

ANALYSIS OF DEFERRED TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME	2022 £000s	2021 £000s
Tax (credit)/debit relating to remeasurement of net defined benefit liability	**(4,009)**	2,705
Increase in tax rate on opening net defined benefit liability	**-**	(1,309)
Total tax (credit)/debit relating to other comprehensive income	**(4,009)**	1,396

The amount included in the balance sheet arising from the Group's obligations in respect of the scheme is as follows:

	2022 £000s	2021 £000s
Present value of defined benefit obligations	**196,994**	322,394
Fair value of scheme assets	**189,170**	319,260
Net liability recognised in the balance sheet	**7,824**	3,134

	2022 £000s	2021 £000s
Movements in the present value of defined benefit obligations:		
At 1 January	**322,394**	345,356
Service (credit)/cost	**(322)**	427
Interest cost	**6,180**	4,404
Actuarial gain	**(120,223)**	(14,588)
Benefits paid	**(11,035)**	(13,205)
At 31 December	**196,994**	322,394
Movements in the fair value of scheme assets:		
At 1 January	**319,260**	323,545
Interest income	**6,225**	4,176
Actual return less interest on scheme assets	**(136,259)**	(3,768)
Employer contribution	**10,979**	8,512
Benefits paid	**(11,035)**	(13,205)
At 31 December	**189,170**	319,260

The Group's scheme assets are mainly invested in pooled investment funds. The analysis of scheme assets at the balance sheet date is as follows:

	2022 %	2021 %
Major categories of scheme assets as a percentage of the fair value of total scheme assets:		
Equity securities	**8.1%**	30.5%
Debt securities	**81.6%**	62.7%
Real estate	**3.2%**	1.2%
Cash and cash equivalents	**7.1%**	5.6%
	100.0%	100.0%

Scheme assets include £21,259,000 (2021: £18,259,000) of illiquid investments, being 11.2% (2021: 5.7%) of the total fair value of scheme assets. These assets are regularly valued by the fund manager and reported to the administrator of the fund. The most recent valuations are used in the assessment of the fair value of these illiquid investments, which in some instances was at 30 September 2022. The valuation was reviewed at 31 December 2022 for likely possible movements over the intervening period.

The Group expects to contribute £8,400,000 to the scheme in 2023 in order to reduce the deficit.

25. PRIOR YEAR ADJUSTMENT

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow will be required to settle the obligation and the amount can be reliably estimated.

In prior years, provisions for construction related activity reflected the net expected future loss, after making an allowance for insurance policy excess, if the Group had received reasonable satisfaction (but not virtual certainty) of policy coverage from insurers that costs were recoverable for certain works and where the process was at an advanced stage. In accordance with FRS 102, reimbursement assets should only be recognised when recovery is considered to be virtually certain and a prudent level of recovery can be reliably estimated.

In the prior year, total probable (but not virtually certain) insurance recoveries of £12,854,000 were recognised and offset against provisions. Whilst it was considered probable that these significant insurance recoveries are still expected, they were not virtually certain in the prior year and therefore no reimbursement asset has been recognised.

In the current year, following a review of the appropriateness of the above accounting, an adjustment has been applied to recognise amounts recoverable from third parties (insurers) as a separate reimbursement asset rather than as a reduction in the provision. In addition, amounts that were not virtually certain have been derecognised. This has resulted in an adjustment to opening reserves, as 1 January 2021, of £6,539,000 in respect of probable but not virtually certain insurance recoveries previously offset against provisions (net of tax).

In addition, the prior year balance sheet has been restated to correct the classification of the following items:

- Advance payments on account of contracts included in Creditors due within one year and Amounts recoverable on contracts due within one year have been reduced by £14,661,000 to recognise the individual contract positions on a net basis.
- £5,586,000 has been reclassified from Advance payments on account of contracts included in Creditors due within one year to Amounts recoverable on contracts due within one year to show asset balances net of provision amounts rather than the provision as a separate liability. The impact of this adjustment is to reduce Amounts recoverable on contracts and Advance payments on account of contracts.
- Accruals included in Creditors due within one year and Amounts recoverable on Contracts due within one year has been reduced by £3,052,000 and £608,000 respectively, with an increase to provisions of £2,444,000. The Accrual was recognised instead of a provision for forecast costs to be incurred to satisfy a defect obligation as well as a provision for recoverability of a contract asset.

The above do not impact prior year profit and loss account or net assets.

25. PRIOR YEAR ADJUSTMENT (continued)

Restated provisions represent the future costs which the group is liable for. Reimbursement assets represent future receipts which are virtually certain to be recovered from insurers.

Reconciliation of opening Profit and loss account and Shareholders funds as at 1 January 2021:

	PROFIT AND LOSS ACCOUNT £000s	TOTAL EQUITY £000s
As originally reported	108,831	142,011
Adjustment	(6,539)	(6,539)
Restated	**102,292**	**135,472**

The comparative figures in the primary statements and notes have been restated with the effects summarised below:

CONSOLIDATED PROFIT AND LOSS ACCOUNT (IMPACTED LINES)	2021 AS REPORTED £000s	ADJUSTMENT £000s	2021 RESTATED £000s
Cost of sales	(1,340,399)	(4,751)	(1,345,150)
Gross profit	181,852	(4,751)	177,101
Group operating profit	26,650	(4,751)	21,899
Total operating profit: **Group and share of joint ventures and associates**	34,312	(4,751)	29,561
Analysed between: Total operating profit before interest and tax	40,020	(4,751)	35,269
Group statutory profit before tax	35,902	(4,751)	31,151
Analysed between: Group profit before tax and before tax of joint ventures and associates	37,352	(4,751)	32,601
Tax on profit	(6,793)	903	(5,890)
Group profit for the financial year	29,109	(3,848)	25,261

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(EXPENSE) (IMPACTED LINES)	2021 AS REPORTED £000s	ADJUSTMENT £000s	2021 RESTATED £000s
Profit for the financial year	29,109	(3,848)	25,261
Total comprehensive income/(expense) for the financial year	38,509	(3,848)	34,661

CONSOLIDATED BALANCE SHEET (IMPACTED LINES)	31 DECEMBER 2021 AS REPORTED £000s	ADJUSTMENT £000s	31 DECEMBER 2021 RESTATED £000s
Current assets			
Debtors			
- due within one year	288,122	(7,787)	280,335
- due after one year	24,287	12,776	37,063
-	312,409	4,989	317,398
Creditors: amounts falling due within one year	(579,656)	20,447	(559,209)
Net current assets	36,558	25,436	61,994
Total assets less current liabilities	252,938	25,436	278,374
Provisions for liabilities	(23,846)	(35,823))	(59,669)
Net assets	177,140	(10,387)	166,753
Profit and loss account	143,960	(10,387)	133,573

CONSOLIDATED BALANCE SHEET (IMPACTED LINES)	1 JANUARY 2021 AS PREVIOUSLY STATED £000s	ADJUSTMENT £000s	1 JANUARY 2021 RESTATED £000s
Current assets			
Debtors			
- due within one year	239,315	1,901	241,216
- due after one year	32,215	13,898	46,113
	271,530	15,799	287,329
Creditors: amounts falling due within one year	(514,004)	8,041	(505,963)
Net current assets	14,085	23,840	37,925
Total assets less current liabilities	251,981	23,840	275,821
Provisions for liabilities	(40,448)	(30,379)	(70,827)
Net assets	142,011	(6,539)	135,472
Profit and loss account	108,831	(6,539)	102,292

26. CONTINGENCIES

There are claims arising in the normal course of trading that are in the process of negotiation. In some cases these negotiations may be protracted over several years. Provision has been made for all amounts that the directors consider will become payable on account of claims. There are contingent liabilities in respect of guarantees and other agreements entered into in the normal course of business.

The Building Safety Act (BSA) received royal assent in June 2022 with wide ranging implications for the industry. The impact on the Group, giving rise to potential liabilities for remediation costs on residential buildings over 11m high constructed during the 30-year period to 30 June 2022 (an increase of 18 years beyond the standard 12 year limitation period), will require time to fully analyse and assess. It is important to note that the Group's development activities of residential buildings over 11m during this extended period was limited. Following notifications received, early investigations have commenced at a small number of sites but it is too early to say whether they will result in any liabilities. The vast majority of historical notifications of potential claims have not resulted in an outflow of resources or have been settled with little net expenditure after taking into account insurance recoveries. Ultimately, should any outlay of resources be required, this is not expected to occur within the next financial year.

As such there continues to be a high degree of uncertainty and it is not possible to quantify the future impact on the Group's financial position. The Board is continuing to closely monitor developments.

27. RELATED PARTIES

Turnover in respect of the value of contracting work done for and land sold to joint ventures in the year ended 31 December 2022 was £27,203,000 (2021: £35,865,000).

Amounts were due to the Group from joint ventures and associates at 31 December 2022 of £77,515,000 (2021: £82,286,000). Additionally, at 31 December 2022, the Group owed joint ventures £25,056,000 (2021: £21,994,000). Interest at market rates is receivable/(payable) in respect of loans, which are unsecured, due from/(to) joint ventures.

Myriad CEG Group Limited ('Myriad') is a company under common control and hence a related party. At 31 December 2021, Myriad owed the Group £nil, net of an impairment provision of £3,077,000. On 5 January 2022, the loan was waived. The estimated fair value of the loan at the date of waiver was £nil.

The company has also guaranteed the bank overdraft of a subsidiary held by Myriad in the amount of £500,000 (2021: £500,000) and in turn has received a counter guarantee from members of the Wates family. These guarantees remain in place following the waiver of the loan owed by Myriad to the Group.

On 10 September 2020, loans to shareholders were granted such that at 31 December 2022; £500,000 (2021: £500,000) was due from Sir James G.M Wates, a shareholder and director of the company, to the company; £250,000 (2021: £250,000) was due from Jonathan G.M. Wates, a shareholder and director of the company, to the company; £250,000 (2021: £250,000) was due from Timothy A.D. Wates, a shareholder and director of the company, to the company; and £250,000 (2021: £250,000) was due from Andrew E.P. Wates, a director of the company, to the company. All loans are repayable in September 2027. The outstanding amounts represent the full amounts of the loans. Interest on the loans is charged at the higher of the official rate for beneficial loans arrangements as set by HMRC of 2.0% and 2.5%. Interest accrues daily and is payable annually in arrears on each anniversary of the date on which the loan is borrowed.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Andrew T. A. Wates, who is a shareholder of the company, and his wife Sarah, in July 2016. The initial contract will last for 10 years and an initial amount of £85,000 was paid. Wates Developments Limited will be paid a promotion fee of 20%, being 20% of the net sale proceeds received by Andrew T. A. Wates and his wife Sarah, if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee. During 2019, Wates Developments Limited bought a piece of land adjacent to the site. If the promotion contract between Andrew T. A. Wates and his wife Sarah expires, Andrew T. A. Wates and his wife, Sarah, can purchase this piece of land at cost plus interest at 2% above the base rate.

During its normal course of business, a Group subsidiary, Wates Developments Limited, entered into a promotion agreement for a site, with Michael E. Wates, who is a shareholder of the company, and his wife Caroline, in August 2020. The initial contract will last for 10 years and an initial amount of £50,000 was paid. Wates Developments Limited will be paid a promotion fee of 20%, being 20% of the net sale proceeds received by Michael E. Wates and his wife Caroline, if it successfully achieves planning on the site within 10 years. The promotion is extendable for 10 years on payment of an additional fee.

Key management personnel includes all statutory directors of the company and of the Executive Committee. The total remuneration for key management personnel for the year was £17,687,000 (2021: £10,903,000) including dividends received of £7,072,000 (2021: £907,000).

28. ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a variety of performance measures, including alternative performance measures (APM) which are presented to provide users with additional financial information that is regularly reviewed by management. The following APMs are referred to throughout the report.

GROUP TURNOVER INCLUDING THE GROUP'S SHARE OF JOINT VENTURES' AND ASSOCIATES' TURNOVER	2022 £000s	2021 £000s
Group statutory turnover	**1,786,897**	1,522,251
Share of turnover of joint ventures and associates	**107,174**	103,775
Group turnover	**1,894,071**	1,626,026

OPERATING PROFIT EXCLUDING THE GROUP'S SHARE OF JOINT VENTURES' AND ASSOCIATES' INTEREST AND TAX	2022 £000s	2021 £000s
Statutory Group operating profit: Group and share of joint ventures and associates	**28,315**	29,561
Share of net interest payable of joint ventures and associates	**5,739**	4,258
Share of tax of joint ventures and associates	**2,130**	1,450
Operating profit *	**36,184**	35,269

* Also referred to as Total operating profit before interest and tax on the face of the Consolidated profit and loss account

OPERATING PROFIT MARGIN CALCULATED AS TOTAL OPERATING PROFIT BEFORE INTEREST AND TAX DIVIDED BY TOTAL REVENUE	2022 £000s	2021 £000s
Operating profit margin	**1.9%**	2.2%

GROUP PROFIT BEFORE TAX EXCLUDING THE GROUP'S SHARE OF JOINT VENTURES' AND ASSOCIATES' TAX	2022 £000s	2021 £000s
Group statutory profit before tax	**31,534**	31,151
Share of tax of joint ventures and associates	**2,130**	1,450
Group profit before tax	**33,664**	32,601

These APMs are not defined under FRS 102 and therefore may not be directly comparable with similarly identified measures used by other entities. They are not intended to be a substitute for, or superior to, FRS 102 measures.

SUBSIDIARY UNDERTAKINGS

AT 31 DECEMBER 2022

Except where otherwise stated:

- All subsidiary undertakings are incorporated in the United Kingdom and registered in England and Wales;
- The registered office of all subsidiary undertakings is Wates House, Station Approach, Leatherhead, Surrey KT22 7SW;
- The Wates Group Limited interest is 100% of the issued share capital of the subsidiary undertakings listed below included in the consolidated accounts.

Subsidiary undertaking

10 St Bride Street Limited *

Brooks and Rivers Limited

Danesdale (Pebble Drive) Limited

G Purchase Construction Limited

GW 217 Limited

Needspace? Limited *

Purchase Group Limited

Purchase Home Improvements Limited

Purchase Homes Limited

Purchase Support Limited

QED Education Environments Limited *

Relocation and Inventory Services Limited

SES (Engineering Services) Limited

Stageselect Limited *

Third Wates Investments Limited

Wates Amenity Lands Limited

Wates Built Homes (Blakes) Limited

Wates Built Homes (London) Limited

Wates Built Homes Limited

Wates Built Homes (Retirement) Limited

Wates Built Homes (Southern) Limited

Wates Construction International LLC (incorporated in Abu Dhabi; ownership interest 49%; registered office – Sultan International Holdings, 20th Floor, Sheikh Sultan Bin Hamdan Building, Corniche PO Box 3486, Abu Dhabi, United Arab Emirates)

Wates Construction Limited *

Wates Construction Services Limited

Wates (Crowborough) Limited

Wates Developments Limited *

Wates Financial Services Limited

Wates FM Limited *

Wates Group Properties Limited

Wates Group Services Limited *

Wates Healthcare Trustee Company Limited

Wates Homes (Bracknell) Limited

Wates Homes (Cambridge) Limited

Wates Homes (Chichester) Limited

Wates Homes (Farnham Common) Limited

Wates Homes Limited

Wates Homes (Oakley) Limited

Wates Homes (Odiham) Limited

Wates Homes (Wallingford) Limited

Wates Homes (Warsash) Limited

Wates Interiors Limited

Wates Lancewood Estates Limited *

Wates Limited *

Wates Property Services Limited

Wates Maintenance Services Limited

Wates Pension Trustee Company Limited

Wates PFI Investments Limited

Wates PFI Investments (Projects) Limited

Wates PFI Investments (QED) Limited

Wates Regeneration (Coventry) Limited

Wates Regeneration (South Acton) Limited

Wates Regeneration (Tavy Bridge) Limited

Wates Residential Limited *

Wates Residential Construction Limited

Wates Residential Development Limited

Wates Second Land Limited

Wates Smartspace Limited *

Wates Staff Trustees Limited

Wates Surrey One Limited

Wates (Walberton) Limited *

Wates (WR) Limited

WBH (Financial Services) Limited

Woodside Lands Estates Limited

Woodside Lands Limited

Woodside Lands Management Limited

* Owned directly by Wates Group Limited

The consolidated income and expenditure, assets and liabilities and cash flows of the subsidiary undertakings of the Group include the Group's shares of the following unincorporated jointly controlled assets:

	INTEREST	REGISTERED OFFICE
American Community School Landscaping Qasr Al Hosn Fort and NCCC Main Contract Works	24.5% 24.5%	Eastern International LLC, City Gate Tower, 11th Floor, Al Wahda Street, PO Box 1596 Sharjah, United Arab Emirates
Linden Wates (St. Albans)	50.0%	11 Tower View, Kings Hill, West Malling, Kent ME19 4UY

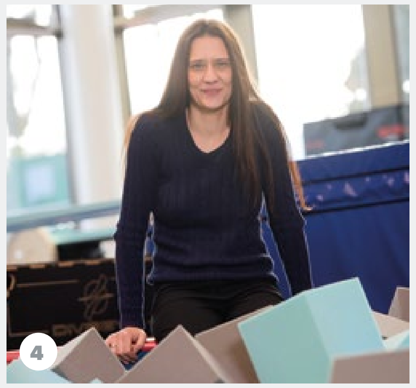
GROUP FIVE-YEAR SUMMARY

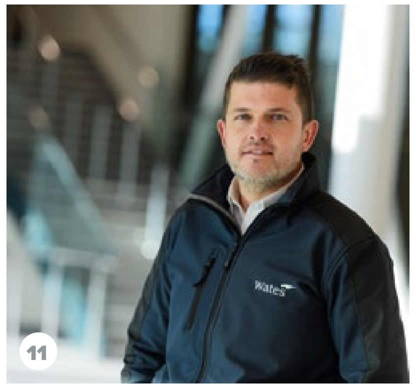
	2018 £m	2019 £m	2020 £m	2021 (RESTATED) £m	2022 £m
Profit and loss account					
Group turnover including share of joint ventures' and associates' turnover	1,601	1,634	1,449	1,626	**1,894**
Group statutory turnover	1,501	1,548	1,383	1,522	**1,787**
Operating profit excluding share of joint ventures' and associates' interest and tax	39.0	39.0	4.6	35.3	**36.2**
Underlying operating profit excluding share of joint ventures' and associates' interest and tax *	39.0	39.0	16.0	35.3	**36.2**
Group profit before tax excluding share of joint ventures' and associates' tax	35.9	36.2	1.7	32.6	**33.7**
Group underlying profit before tax excluding share of joint ventures' and associates' tax *	35.9	36.2	13.1	32.6	**33.7**
Group statutory profit before tax	34.4	34.6	0.8	31.2	**31.5**
Balance sheet					
Net assets	135.8	152.4	142.0	166.8	**162.3**

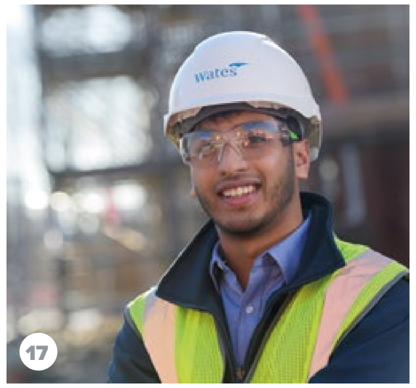
The 2021 figures have been restated in accordance with note 25. Prior years have not been restated.

* In order to provide users with a clear and consistent presentation of the underlying performance of the Group, the 2020 figures separately identified items that were considered to be exceptional because of their size or non-recurring nature. The exceptional items were excluded from the underlying data presented in the table above.

WE WOULD LIKE TO THANK OUR COLLEAGUES WHO AGREED TO BE FEATURED IN THIS REPORT:







1 Harvey Whyte
2 Alice Chai
3 Gurdeep Jandoo
4 Gina Ciotaki
5 Libby Hosey
6 Elise Beesley
7 Nick Leigh
8 Mark Harrison
9 Josh Steiner
10 Rasheed Lawal
11 Simon Osbourne
12 Ryan Mills
13 Natalie Flint
14 Amy Smith
15 Tessa Shelley
16 Jimmy Marshall
17 Tanvir Ahmed
18 Oba Nurudeen
19 Nic Ciardini
20 Lewis Naughton

Wates

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